



Mossel Bay Municipality

Annual

Report

2009

Mossel Bay Municipality

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

This Annual Report is published in compliance with Section 121 of the Local Government: Municipal Finance Management Act, No 56 of 2003, to provide a record of the activities of the Municipality; to provide a report on performance in service delivery and against the budget; to provide information that supports the revenue and expenditure decisions made, and to promote accountability to the local community for decisions made.

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Vision, Mission and Values

Vision

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

Mission

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

Values

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.

CHAPTER ONE

INTRODUCTION AND OVERVIEW

Mayoral Overview

The Municipality of Mossel Bay has once again distinguished itself as one of the best and most successful municipalities in South Africa, and it is therefore my privilege to present its Annual Report for the year that ended on 30 June 2009.

Every year since this Council took office in 2006 had its highlights, successes, challenges and difficulties and the past year has been no exception.

I am once again in the privileged position to be able to state that the Municipality received an unqualified audit report for the 2008/2009 financial year from the Auditor-General. This is undoubtedly the result of continued responsible governance, excellent financial controls and the concerted efforts of Councillors and personnel alike.



**ALDERLADY MARIE
FERREIRA**

The Municipality continued to maintain its proud status as a financially healthy institution and one of the best-managed Municipalities in South Africa.

In October 2009 it was announced that the Municipality of Mossel Bay is the top local municipality in the Western Cape and sixth country wide out of 231 local municipalities in terms of basic service delivery.

This was according to the Empowerdex municipal service delivery index, which compares the results of the Community Survey 2007 with Census 2001 and measures the performance of municipalities, district councils, metropolitan municipalities and provinces on actual delivery as well as improvements in delivery over a period of time. The municipalities were assessed on the five basic services, namely housing, water, electricity, waste removal and sanitation.

All the local municipalities that scored better than Mossel Bay are from the Northern Cape but according to Empowerdex the high scores in the Northern Cape might have been due to their small populations and the fact that there had been some substantial increases of up to 50 per cent in households.

The Municipality that scored the highest had a population of 54 644 in 2007 compared to Mossel Bay's population of 117 838 in 2007. The populations of the other municipalities above Mossel Bay ranged from 12 571 to 28 054.

On the down side, the Municipality could not escape the effect of the international economic meltdown. The adverse economic conditions have stifled property development, which in turn impacted negatively on the growth of the Municipality's income base. It also had a negative impact on the Municipality's other traditional sources of income such as water and electricity services.

The profit on electricity sales declined from 39,5 per cent in the 2007/2008 financial year to 26,2 per cent in the year to 30 June 2009. The frequent load shedding by Eskom in the latter part, followed by the sharp increase in the Eskom tariffs, were contributing factors in this regard.

The profit from the water services decreased from 34,3 per cent to 26,3 per cent in the corresponding periods. The deficit from rates and general services increased from R2 093 in the year to 30 June 2008 to R11 512 947 in the 2008/2009 financial year.

“Mossel Bay is fundamentally a water-scarce area.”

Although we were pleased for our employees, the nationally negotiated salary increases for municipal employees were higher than anticipated and required the reprioritising of the Municipality's budget to enable it to finance the increases.

It is now a well known fact that Mossel Bay, as well as some of its neighbouring towns, has been declared disaster areas as a result of the severe drought conditions. Mossel Bay's rainfall since November 2008 has been less than 40 per cent of the average and the lowest in 132 years since rainfall has been recorded. This unfortunately required the implementation of water restrictions, which in turn negatively affected the Municipality's income from this service.

Although Mossel Bay has had good rains for several years now, the drought has brought home the realisation that Mossel Bay is fundamentally a water-scarce area and that our water management as well as the development of additional sources will have to be accorded special and ongoing attention in the future.

An important step forward in this regard has been the decision to purify effluent water for industrial use and to ease the pressure on the Wolwedans Dam, which is the Municipality's main water source. The estimated cost of this project is R49 million and we are especially grateful to PetroSA and the State for their contributions of respectively R22,5 million and R16,5 million towards the cost of the project. Mossel Bay will continue to benefit from the project after PetroSA's Mossel Bay plant had reached the end of its life.

It has also come as a shock that Mossel Bay might not be hosting a 2010 World Cup soccer team after much time, effort and investment had gone into this. The decision by the Paraguayan national team to switch their base camp venue to KwaZulu Natal is a major disappointment.

Chapters 5 and 6 of this Annual Report contain detailed reports on the Municipality's achievements and activities in the year under review but the following is highlighted:

- ❖ The balance of the Capital Replacement Reserve, the cash-backed reserve established for the financing of future capital expenditure, amounted to R101 808 566 at 30 June 2009, compared to R101 870 384 at the end of the previous financial year. The Municipality has again been able to finance infrastructure development from its own funds.
- ❖ External loans of R4 899 619 (R4 723 276 in 2007/2008) remained low in relation to the Municipality's overall cash position.
- ❖ Staff costs amounted to 31,5% of total operating expenditure, which is below the norm of between 33 per cent and 35 per cent. In the 2007/2008 financial year it amounted to 32,1 per cent.

- ❖ The programme to reseal streets in the municipal district, an important aspect of asset management, continued and R10 million was spent on the resealing of roads in the year under review. More gravel roads were tarred, reducing the total of untarred roads to 26 km. This means that another 122 houses that were previously fronting on a gravel road are now fronting on a tarred road.
- ❖ The Hoogekraal and Glentana storm water system was completed at a cost of R35,5 million, enabling the system to handle up to 1-in-100 year floods.
- ❖ Streets in D'Almeida were provided with kerbs at a total cost of R325 000.
- ❖ Projects with a total value of R13 510 045 were completed by learner contractors in terms of the Extended Public Works Programme (EPWP). These included the Asazani/Izinyoka sewer rising lines and storm water systems in Great Brak River and KwaNonqaba. Through these projects the Municipality confirmed its commitment to empower contractors from the historically disadvantaged communities.
- ❖ Large strides have been taken over recent years to keep Mossel Bay clean and the success in this regard can undoubtedly be attributed to the innovative entrepreneurs programme. The programme provided employment to 252 people in the 2009 financial year and contributed to the alleviation of poverty as well as the improvement of the quality of the life of the workers and their families.
- ❖ The project to restore the historic Harry Giddey Park to its former glory really took off during the year under review. The park is once again a popular destination for residents as well as visitors to Mossel Bay alike.
- ❖ The refuse removal service was extended to Buisplaas, which means that all residential areas in the municipal district are now covered by this service.
- ❖ Training was provided to ward committees in October 2008 and again in February 2009 to capacitate the elected ward committee members to render a professional service to the community. In February 2009, Mossel Bay became the first B Municipality in the Western Cape to host a ward committee summit. Ward committee members are now well equipped to serve the residents of Mossel Bay.
- ❖ Youth affairs also received attention. Youth forums were established and in May 2009 a Youth Council was elected. Regular meetings were held and the youth were also involved in several programmes. A youth policy and development strategy was adopted by Council in September 2009. Mossel Bay was also given three seats on the Eden District Youth Council, thereby enabling youths from Mossel Bay to broaden their experience and exposure.
- ❖ Mossel Bay's electrical infrastructure continued to be maintained properly and a total of 687 street lights were replaced along various streets to improve the intensity of the existing lighting.

A further 81 street lights were installed in dark areas to enhance safety. A total of 2 620 planned maintenance tasks on electrical equipment were carried out to prevent deterioration of assets and to ensure continuity of supply.

Seven kilometres of dilapidated 11KV overhead line were completely reconstructed in several parts of the network.

A total of 215 houses were electrified in Elangeni..

- ❖ Poverty relief was a priority of Council and the service accounts of indigent and poor households were once again subsidised. Subsidies of indigent households totalled R20 865 824 for the year ended 30 June 2009, while total subsidies of poor households amounted to R2 340 682. This compares with R19 009 076 and R2 756 160 respectively in the 2007/2008 financial year.
- ❖ The free basic supply of electricity amounted to 7 681 610 units at a total cost of R 3 802 839 compared to 7 049 017 units at a cost of R3 050 576 in 2007/2008.
- ❖ The Municipality's annual budget, Integrated Development Plan, the Service Delivery and Budget Implementation and the adjustment budget were all completed within the prescribed time frames. As has become the norm for Mossel Bay, the Annual Financial Statements were once again submitted as prescribed by law.
- ❖ An excellent average outstanding debt collection rate of 98 per cent was achieved despite the difficult economic times. All creditors were also paid within 30 days and the stores section was issued with an audit report showing no discrepancies at all.

The successes achieved by the Municipality under difficult conditions during the year under review can be attributed to the quality and dedication of the management and employees of the Municipality. They were always prepared to overcome whatever challenges came their way and displayed an ongoing commitment to good service delivery.

It took longer than expected to fill the vacant position of Municipal Manager, but the Municipality was fortunate to have a person of the calibre and experience of Dr Carel du Plessis to fill the void until a new appointment could be made. He was supported well by a competent management team.

Council was then fortunate to find a person of the ability of Dr Michele Gratz, who assumed duty in June 2009. Dr Gratz, only the second female Municipal Manager in the Western Cape, has already made her presence felt in no uncertain way. The rest of the top structure is now settled well and the year ahead can be entered into with confidence.

The achievement of Blue Flag status for the Santos and Hartenbos beaches is another milestone to be proud of. This international environmental and quality classification will stand Mossel Bay in good stead from both an image and tourism development point of view.

It is a disappointment that the long awaited middle-income housing project has again been delayed and is now the subject of legal proceedings. The chances of this important project, which is intended to help people in the middle-income group to enter the housing market, to get off the ground during the present Council's term of office unfortunately now appears to be slim.

Council remains committed to get another long awaited project, the D'Almeida and KwaNonqaba bathroom project, off the ground in the 2009/2010 financial year and had a very constructive meeting with the beneficiaries to inform them of Council's plans in this regard. The project was unfortunately the subject of political manipulation for too long prior to the national elections in April 2009.

The year ahead will pose the Municipality with major challenges, particularly as a result of the drought situation and the prospect of some more hefty increases in Eskom's electricity tariffs.

If the drought continues and the dams run empty, it might require drastic action in the short term. The continued good rains and several floods over the past decade and a half as well as the construction of the Wolwedans Dam have perhaps lulled us into a false sense of security about the water situation in the area.

Mossel Bay has suffered prolonged periods of drought before and bearing in mind the added uncertainties and effects of climate change it has now become clear that Mossel Bay will have to do the future planning and management of its water resources from the point of view that this a water-scarce area.

The days of relatively cheap electricity are clearly something of the past and attention will have to be given to developing or securing investment in alternative, sustainable and clean energy sources, such as harnessing the wind and ocean waves for this purpose.

High levels of unemployment, particular amongst the youth, are a cause for concern as it also results in other social problems. Local economic development, job creation and social programmes will therefore have to receive special attention in the year ahead as well.

It has been a disappointment that a Councillor had to be relieved of his duties by the Western Cape Minister of Local Government. It is trusted that this unfortunate incident will serve to remind Councillors of their obligations to their constituents in the first place and the need to act in a dignified and responsible manner at all times.

In conclusion, I would like to thank my fellow Councillors as well as the management and employees of the Municipality for their dedication and support that ensured that the Municipality again cemented its position as a leading Municipality.



Marie Ferreira
Executive Mayor

Municipal Manager's Overview

I have been at the helm at the Municipality of Mossel Bay for only the last month of the year under review, but it is nevertheless a privilege to report on another successful financial and service delivery year in the history of this Municipality.

I have been in the fortunate position of taking over an organisation that has maintained its reputation as a well-managed, stable and financially healthy institution at a time when municipalities all over of South Africa are increasingly coming under fire for poor service delivery as well as their financial woes.

Like in any financial year, the Municipality had some disappointments but I am pleased to report that there were many more highlights than disappointments in the 2008/2009 financial year.



DR MICHELE GRATZ

The Municipality did not escape the effects of the global economic meltdown and actual operating revenue of R449 577 617, expenditure of R405 020 474 and the loss on disposal of Property, Plant and Equipment of R261 517 were realised for the 2008/09 financial year as shown in the Statement of Financial Performance in the Annual Financial Statements.

It must, however, be taken into account that there is certain expenditure, which was transferred through the Statement of Changes in Net Assets, while the expenditure was shown as an expenditure in the operational budget, for example:

• Contribution to Capital Replacement Reserve	R27 350 000
• Transfer of Land Sales and External Services contributions	R2 212 809

The abovementioned amounts are therefore not included in the gross income and expenditure amounts mentioned above. The apparent surplus which may appear from the abovementioned figures can therefore not be compared to the budgeted surplus.

The annual budgets had to be adjusted upwards twice during the course of the financial year.

The operating budget was adjusted in September 2008 from R431 271 127 to R453 678 683 to account for Eskom electricity price increases. The capital budget was adjusted to R98 087 167 from R97 137 601, mainly to accommodate roll-over amounts from the previous financial year as well as to accommodate additional funding received from the Department of Water Affairs for drought relief.

The operating budget was adjusted to R482 912 110 in February 2009 to include additional funding received for housing infrastructure at Wolwedans in Great Brak River as well as Equitable Share funding received to compensate the Municipality for Eskom price increases.

The capital budget was at the same time adjusted further to R107 447 014, mainly to accommodate an amount of R15,426 million received from the National Treasury as a municipal infrastructure grant for flood damage repairs at Glentana.

The Municipality performed well in terms of the spending of its capital budget. A total of R100 501 944 was spent out of a total capital budget of R107 447 014, representing 93,5 per cent of the total budget.

The Municipality once again diligently met all statutory deadlines with regard to the submission of its 2007/2008 Annual Financial Statements, the tabling and approval of the Annual Report and the tabling of its budget for the 2009/2010 financial year.

The implementation of new accounting standards prescribed by the National Treasury proceeded according to plan within the required timeframes.

The average debt collection rate of 98 per cent during the financial year is another outstanding performance and is a reflection of the dedication and hard work of the Financial Services Directorate of the Municipality. It is also heart warming that such a high percentage of our community is able to meet their obligations and in fact have done so.

Asset management again enjoyed a high priority in the year under review.

This included the resealing of 46 km of tarred roads at a cost of R10 million. The resealing programme is a continuation of a programme that commenced two years ago and is continuing in the 2009/2010 financial year.

An amount of R2,52 million was also spent on routine road maintenance, while R2,8 million was spent on the rebuilding of 1,06 km of streets of which the existing surfaces could not be saved.

The Hoogekraal storm water system at Glentana was completed at a cost of R35,5 million. This should prevent a recurrence of the type of devastation caused by flood waters in the area three years ago.

Extended Public Works Programme projects to the value of R13,51 million were completed by six learner contractors as exit strategy projects. The programme was chosen as a Southern Cape finalist in the regional excellence awards in the national competition of the South African Institute of Civil Engineering. This programme was also a major and important success from the point of view of empowering previously disadvantaged people.

A further amount of R17 million was spent on the important project to upgrade the Little Brak River water purification plant to a 45-megalitre plant to enable the Municipality to cope with the high seasonal demand as well as future growth. The total estimated completion cost of this project, which is scheduled to be completed in December 2009, is R45,5 million.

A new electric substation was established at Sonskynvallei to cater for new developments in the Hartenbos, Monte Christo and Voorbaai. Seven Kilometres of dilapidated overhead power lines were reconstructed completely in several parts of the municipal network.

The entrepreneurs cleaning project, which sustained 252 jobs during the 2008/2009 financial year, continued and contributed to the neat appearance in the areas covered by the project. This project remains an excellent example of an innovative approach to achieving a cleaner environment as well as job creation.

The Municipality extended its domestic refuse removal service to the last remaining rural community, namely Buisplaas, in December 2008. With the exception of agricultural areas, this service is now rendered at all towns and settlements in the greater Mossel Bay municipal area.

The Municipality was also very active on the socio-economic front.

A successful Local Economic Development (LED) Summit was held in August 2008 and an implementation plan was adopted for the implementation of the LED strategy.

An LED Steering Committee, which is representative of the majority of the economic sectors in Mossel Bay, was elected to steer the implementation of the programme. The Committee meets on a monthly basis. It is hoped that this will result in the successful implementation of LED projects in the 2009/2010 financial year.

Youth Forums were established in ten of the twelve municipal wards and a Mossel Bay Youth Council was established in May 2009 to facilitate the Municipality's interaction with this important section of the community. A youth development policy was approved by Council.

The Municipality made a special effort to capacitate its Ward Committees, which are now functioning in ten out of the twelve wards. Ward Committee members received training in policy formulation, project management, and conflict management in August 2008. In February 2009, Mossel Bay became the first B municipality in the Western Cape to host a ward committee summit.

The Municipality is confident that it will succeed in extending the ward committee system in 2009/2010 to the two remaining wards, where ratepayers associations still serve as the main links between the Municipality and the community in these wards.

Good progress has been made with the review of existing municipal by-laws and the drafting of new by-laws where such a need was identified. Areas covered so far include storm water control, regulations on the discharging of fireworks, community fire safety measures, water, electricity, the keeping of dogs, public amenities, caravan parks, street lights, refuse removal, traffic and parking, street trading, air quality control, outdoor advertising and liquor trading. The first of these draft by-laws were be tabled in Council in September 2009 and have now been implemented.

To enhance service delivery in the critical town planning and building control areas as well as to improve control over building activities a new Town Planning and Urban Control Directorate was formed. The Directorate includes the sub-directorate by the same name that previously formed part of the Directorate of Civil Services. Mr Charl Möller, a former Deputy Director of Building Control of the City of Johannesburg and Director of Civil Services of this Municipality heads this Department.

The Directorate of Civil Services, which was managed in an acting capacity since August 2007, was strengthened in July 2008 with the appointment of Mr Pieter Viviers as Director of Civil Services.

It is a disappointment that the relocation of the Powertown informal settlement at Little Brak River could not progress as hoped during the year under review.

The resettlement of the community on the nearby Hartenbos Estate is, however, subject to the approval of the development by the Western Cape Department of Environmental Affairs. Although the authority issued a Record of Decision the developer appealed against it and the relocation of the community is still dependent on the outcome of the appeal.

The long awaited bathroom project for the aged and disabled in part of the D'Almeida residential area also did not progress as hoped.

This is due to continued delays of more than three years in obtaining the approval of the Western Cape Minister of Local Government and Housing to extend the project, as requested by the community, to all property owners in the area concerned. Provincial Government only recently advised the Municipality that the project may not be extended to the entire D'Almeida project as it was hoped, but is limited to only the disabled and elderly.

Mossel Bay is a beautiful town with a lot of potential. It is important that this potential be quantified and developed in order to ensure that Mossel Bay becomes and stays the leading town in the region.

In the year ahead the Municipality will, in addition to the continuous quest for improved and sustained service delivery, also focus on the developing of Mossel Bay's undoubted potential.

To this end, the Municipality plans to undertake an economic survey to identify which sectors are the major contributors to the economy of the town. Once this has been done, the Municipality will be able to determine what long-term strategy should be pursued.

There are many needs and spending on different capital projects will have to be prioritised carefully in order to ensure that the funds are spent on the town's main priorities.

Some infrastructure is ageing and will need to be replaced. Asset management plans will be developed, which will assess the status of the entire infrastructure and outline the main priorities and the timeframe in which this needs to be done.

The Municipality will give priority attention to the office space problem, which affects service delivery and productivity to some extent. The idea of erecting a brand new office block has, however, been shelved in view of the urgent needs in the community that need to be addressed.

A housing plan is being developed. This plan will address the backlog in middle income and socio-economic housing as well as informal housing and backyard dwellers.

The shortage of land is a major problem and alternatives regarding the provision of housing will have to be considered.

Poverty is a country-wide problem and Mossel Bay is not immune to this challenge. We need to build and uplift our communities and to this end a social development section will be established to assist in addressing social challenges as well as HIV/AIDS and the plight of the disabled.

All of the above can obviously not be embarked upon immediately and may have to be implemented in phases over a number of years.

The Municipality's water supply has come under pressure because of the extreme drought and will require careful management in the 2009/2010 financial year.

The cost of electricity is another cause for concern as the indications are that there could be a price hike of as much as forty per cent in the Eskom price in 2011. This will place a further economic burden on the Municipality's customers who have not escaped the effects of the current international economic meltdown.

I do, however, believe that we have excellent personnel on whose quality, resolve and dedication can be relied upon to meet any challenge that the 2009/2010 financial year can pose.

I would like to thank the Executive Mayor and Council for their guidance and support as well as the Executive Management and personnel of the Municipality for their dedication that once again made the Municipality an example for others to follow.

In conclusion, the healthy state of affairs at this Municipality is also a tribute to my predecessor, Dr Carel du Plessis, who held the fort on an acting basis for eleven months since the resignation of Mr Keith Nicol in June 2008. This was done despite his poor health and I would like to thank him for handing over such a sound organisation to me.

A handwritten signature in black ink, appearing to read "M. R. Gratz".

Dr M Gratz
Municipal Manager

General Information

MAYORAL COMMITTEE

Alderlady M Ferreira	:	Executive Mayor.
Councillor H Levendal	:	Executive Deputy Mayor and Chairperson, Community Services Committee.
Clr Ms E Domingo	:	Chairperson, Corporate Services Committee.
Clr J van der Merwe	:	Chairperson, Financial Services Committee.
Alderman E Scheepers	:	Chairperson, Technical Services Committee.

Speaker

Alderman N Lodewyks.

WARD COUNCILLORS

WARD	COUNCILLOR	WARD	COUNCILLOR
1	Clr R Skombingo (ANC).	2	Clr S A Maphisa (ANC).
3	Clr Ms N E Bobotyana (ANC).	4	Clr B Jacobs (ANC).
5	Clr J J Gerber (DA).	6	Alderman E Scheepers (DA).
7	Clr J van der Merwe (DA).	8	Alderman N Lodewyks (DA).
9	Vacant	10	Clr K Booyens (DA).
11	Clr P A du Plessis (DA).	12	Clr W Buda (ANC).

PROPORTIONAL REPRESENTATIVE COUNCILLORS

Clr Ms M de Klerk (ANC).	Clr Ms E Domingo (DA).
Alderlady M Ferreira (DA).	Clr H Floors (DA).
Clr Ms N Giles (ACDP).	Clr O Kumalo (DA).
Clr H Levendal (DA).	Clr Ms N Lichaba (ANC).
Clr S Manuel (ID).	Clr Ms S Moodie (DA).
Clr K H Smit (DA).	

ADMINISTRATIVE

Municipal Manager

Dr M R Gratz, MB, Ch B, B Com (Hons).

Chief Financial Officer

H F Botha, B Com, AIMFO.

Registered Municipal Accountant (Associate) in terms of Act No 21 of 1988.

Director: Civil Services

P Viviers, Pr Eng, B Eng (Civil).

Director: Community Services

C Puren, CPE, IVB3, BML1.

Director: Corporate Services

E Jantjies, B Econ, HDE, LIMFO.

Registered Municipal Accountant (LISS) in terms of Act No 21 of 1988.

Director: Electrical Services

D Naidoo

Certificated Professional Engineer.

Director: Town and Regional Planning and Building Control

C Möller, Pr Eng, B Eng (Civil), ND Financial Planning.

Grading of Local Authority

Grade 3.

Auditors

Auditor-General.

Bank

Nedbank.

Registered Office

Civic Centre
101 Marsh Street
Mossel Bay
6506

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Mossel Bay
6500

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admin@mosselbaymun.co.za

Website

<http://www.mosselbaymun.co.za>

Mossel Bay Profile

The following provides a broad geographical, economical and statistical profile of Mossel Bay:

- **Towns and settlements within the municipal boundaries**
Boggomsbaai, Brandwag, Buisplaas, D'Almeida, Dana Bay, Glentana, Great Brak River, Friemersheim, Hartenbos, Herbertsdale, Hersham, Joe Slovo Village, Jonkersberg, KwaNonqaba, Little Brak River, Mossel Bay, Outeniqua Beach, Rheeboek, Ruiterbos, Southern Cross, Tergniet, Vleesbaai.
- **Municipal Demarcation Code:** WC043.
- **Location of Head Office:** 101 Marsh Street, Mossel Bay.
- **Neighbouring Towns:** George (66km east); Riversdale (77km west); Albertinia (50km west); Oudtshoorn (96 km north).
- **Municipal Area:** 2007 sq km.
- **District Municipality:** Eden (George).
- **Municipal Budget:** 2008/2009 Operating Budget: R482,9 million.
2008/2009 Capital Budget: R107,4 million.
- **Population:** 117 830 (Statistics South Africa, 2007 Household Survey).
- **Educational Institutions:** South Cape Technical College - Mossel Bay Campus; Five Secondary Schools; 21 Primary Schools; Various private educational institutions.
- **Medical Facilities:** Bayview Private Hospital; Mossel Bay Provincial Hospital; District Municipal Health Services.
- **Police Stations:** Da Gamaskop, Great Brak River, Herbertsdale, KwaNonqaba, Mossel Bay.
- **Law Court:** Mossel Bay.
- **Port:** Mossel Bay.
- **Prison:** Mossel Bay Correctional Centre for the Youth.
- **Main Economic Activities:** Agriculture (aloes, cattle, citrus, dairy, ostriches, sheep, vegetables and wine), Fishing, Light Industry, Petrochemicals, Tourism.

CHAPTER 2

GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

2.1 Governance

The Municipality of Mossel Bay (WC043) is divided into twelve wards, and the Town Council have 23 seats. Twelve of these are for elected representatives and 11 for proportional representatives based on a formula related to the number of votes that each political party receives in the elections.

The Council has an Executive Mayor as well as Executive Councillors, and conducts its affairs through a committee system.

The following is a graphic illustration of Council's present executive structure that was implemented following the Municipal Elections that were held in 2006:



As will be seen from the above, the Executive Deputy Mayor is also the Chairperson of the Community Services Committee.

The Democratic Alliance (DA) at present has 13 seats in Council, the African National Congress (ANC) 7 and the African Christian Democratic Party (ACDP) and the Independent Democrats one each. One seat is vacant following a decision by the Western Cape Minister of Local Government to relieve the incumbent from his duties and a by-election is scheduled for 24 February 2010.

Three routine Council meetings and ten Special Council meetings were held during the 2008/2009 financial year. From 2010 onwards Council meetings will take place monthly.

An Executive Mayoral meeting as well as Standing Committee meetings were held monthly, except when Council is in recess.

2.2 Intergovernmental Relations

The Municipality of Mossel Bay is located in the Eden District municipal area. As such, it has three representatives, two from the DA and one from the ANC, serving on the Eden District Council.

The Executive Mayor and the Municipal Manager participate in the District Co-ordinating Forum and the Speaker in the District Speakers Forum. The Municipal Manager is a member of the Eden District Municipal Managers Forum. Specialists serve on the various specialist forums established in the district.

These activities allow for close interaction with other Municipalities in the Eden District municipal area, and therefore also the fostering of constructive relationships with these Municipalities.

During the year under review the Executive Mayor and the Municipal Manager attended the Provincial Advisory Forum (PAF), a Forum that was chaired by the Provincial Minister of Local Government. This Forum met approximately quarterly for reporting and monitoring purposes as well as the discussion of common problems and issues.

The Municipal Manager attended the Provincial Advisory Forum Technical (PAFTech) meeting, which was chaired by the Head of Department of the Department of Local Government and Housing.

This Forum met approximately bi-monthly, and provided a mechanism for Municipal Managers and provincial officials for the discussion of common issues and the updating of the Municipalities on various Governmental issues that might affect them.

The Municipal Manager also attended the Provincial Municipal Managers Forum, which normally met before the PAFTech meetings.

The Speaker is a member of the Provincial Speakers Forum, while officials of the Municipality participate in the various Provincial specialist forums that exist.

The Municipality is a member of the South African Local Government Association (SALGA), and Councillors of Mossel Bay serve in each of the SALGA working groups (Economic Development, Social Development, Municipal Services, Human Resources Management, Governance and Intergovernmental Relations and Municipal Finance).

The SALGA working groups were established to develop policies, strategies and programmes to address local government issues, to facilitate co-operative governance between the spheres of Government as well as to facilitate consultation, co-ordination and participative decision-making between SALGA and its provincial and municipal members.

2.3 Public Participation

The Municipality places much emphasis on public participation and information and has put several structures and programmes in place for this purpose.

The Municipality publishes a monthly newsletter which is mailed to approximately 45 000 municipal service account holders and uses the local press and community radio station extensively to inform the community on municipal affairs.

The Ward Committee system, which has been implemented successfully in 10 of the 12 wards, plays an important role in the public participation process. The Municipality also liaises on an ongoing basis with the ratepayers associations in the two wards where they still serve as the link between the community and the Municipality.

The Ward Committee members attended two training courses to equip them better for their role. A Ward Committee Summit was also held at which the Committee Members could interact with one another and discuss matters of mutual interest.

The system has proved to be particularly useful in the past year in the public participation process for the development of the Municipality's Integrated Development Plan (IDP). More people than ever before attended the IDP meetings in the different wards. The community is also consulted on other matters that affect them through the Ward Committee system.

Community participation in youth affairs takes place through youth forums that were established in the wards where the ward committees are functional. A Mossel Bay Youth Council was also established. The youth forums and the Youth Council meet regularly and youth events are organised on a regular basis, including on issues such as HIV/AIDS and woman and child abuse and career opportunities.

The community is involved actively in the Municipality's Local Economic Development (LED) through a 33-member Steering Committee consisting of representatives from various community stakeholder groups across the local economic spectrum.

CHAPTER THREE

SERVICE DELIVERY OVERVIEW

3.1 Key Municipal Services

The Municipality of Mossel Bay renders a range of traditional municipal services in an area covering 2007 square kilometres.

The area includes rural and residential areas such as Boggomsbaai, Brandwag, Buisplaas, D'Almeida, Dana Bay, Friemersheim, Great Brak River, Joe Slovo Village, KwaNonqaba, Little Brak River, Fraaiuitsig, Glentana, Hartenbos, Herbertsdale, Hersham, Mossel Bay, Outeniqua Beach, Rheeboek, Fraaiuitsig, Tergniet, Ruiterbos, Southern Cross and Vleesbaai.

The current main services rendered by the Municipality are:

3.1.1 Electricity

In 2008/2009 electricity was supplied to 29 913 consumers, compared to 29 583 consumer the previous year. New connections decreased from 1 163 in 2007/2008 to 330 in 2008/2009.

The Municipality does not generate its own electricity and the national electricity supplier, Eskom, supplies the electricity to the Municipality for resale to consumers in the municipal area.

A total of 284 372 556 units (kWh) of electricity were supplied to household, commercial, industrial and other customers of the Municipality in the year under review, compared to 273 344 409 units in 2007/2008.

Units purchased from Eskom increased by 1,425 per cent from 303 107 413 units in 2007/2008 to 307 403 704 in 2008/2009.

3.1.2 Water

The Municipality owns and maintains a water distribution network consisting of pipelines and storage dams. The main municipal storage dam is the Ernest Robertson Dam. Water is also drawn from the Department of Water Affairs' Klipheuwel and Wolwedans Dams. Water is purified for consumption at the Municipality's water purification plants.

A total of 9 790 megalitres of water was purified in 2008/2009 compared to 9 786 megalitres in 2007/2008.

3.1.3 Sewerage

The Municipality owns and maintains a sewage disposal network as well as processing plants. The majority of households in Mossel Bay are serviced by a water-borne, flush sanitation system.

A total of 4 325 835 kilolitres of sewage were purified in 2008/2009 compared to 4 080 976 in 2007/2008.

3.1.4 Environmental Health

The Mossel Bay Municipality provides cleansing services, mainly in the form of refuse removal, as well as environmental health services in addition to those provided by the Eden District Municipality.

A total of 23 964 tonnes of solid waste were removed compared to 27 760 tonnes in the previous financial year.

The last refuse removal backlog was removed when the refuse removal service was extended to Buisplaas.

3.1.5 Fire, Rescue and Safety Services

The Municipality owns and operates a fire and rescue service which provides fire fighting, fire prevention and road and other rescue services. Its community safety service provides a range of law enforcement and community protection services.

The Fire and Rescue Service attended to a total of 5 945 incidents, special services, fire, business licensing and building plan inspections and training and educational events in the 2008/2009 financial year, compared to 6 732 in 2007/2008.

3.1.6 Roads

The Municipality is responsible for the planning, construction and maintenance of urban road networks.

The Municipality is responsible for a network of 405,9 km of paved and concrete roads and 26 km of gravel roads. Nine kilometres of roads were tarred in 2008/2009 and 46 km of tarred roads were resealed during the year under review. Another 1,06 km of streets of which the surfaces could not be saved, were rebuilt.

The national and main regional roads fall under the relevant authorities, and the Eden District Municipality is responsible for rural public roads within the Municipal area.

3.1.7 Housing

The Municipality seeks to address the housing needs of low-income groups and middle-income groups who do not have access to the commercial bond market. In this regard it acts as an agent for the Department of Housing.

This involves the identification of potential beneficiaries, identification and securing of suitable land for housing development, the sourcing of funding and project management.

At the end of June 2009 there was a waiting list of approximately 11 000 families waiting for houses, an increase of 500 families compared to the previous year.

3.1.8 Libraries

There are eleven libraries, including a mobile library, in the Mossel Bay municipal area.

They are managed on an agency basis for the Provincial Government of the Western Cape and play a major role in the education of the community.

A total of 568 647 books, periodicals, cassettes, CD's, video's and DVD's were circulated in 2008/2009, compared to 668 616 in 2007/2008.

3.1.9 Urban Development and Control

In addition to doing its own spatial development planning and exercising control over development and building activities, an information service is provided to property owners and developers.

A total of 957 building plans to the value of R515 660 000 were approved in the financial year to the end of June 2009. In the previous financial year 1 831 plans to the value of R854 205 000 were approved.

3.1.10 Vehicle and Driver Licensing Services

The Municipality provides vehicle registration services and also issues drivers licences in its area of jurisdiction. Some of these services are rendered on an agency basis.

Income from vehicle registrations amounted to R20 297 542 in 2008/2009, compared to R16 963 342 in 2007/2008.

A total of 21 012 driver's licences were issued, compared to 22 093 in the year to 30 June 2008.

3.2 Financial Performance

The following reflects the financial performance of the Municipality for the 2008/2009 financial year, with comparisons with previous years where possible:

3.2.1 Operating Results

SUMMARY	2007/2008 (R)	2008/2009 (R)	VARIANCE	2008/2009 BUDGET (R)	VARIANCE
Income					
Opening surplus/(deficit)	960 018 216	1 345 210 269	40,1%		
Operating income for the year	385 221 794	449 577 617	16,7%	472 321 631	-4,8%
Gain on disposal of PPE	1 196 604	125 766	-89,5%	84 959	
Appropriations for the year	-41 414 777	197 434	-100,5%		
	1 305 021 835	1 795 111 087	37,6%	472 406 590	280%
Expenditure					
Operating expenditure for	316 103 314	405 020 474	28,1%	471 106 696	-14%

SUMMARY	2007/2008 (R)	2008/2009 (R)	VARIANCE	2008/2009 BUDGET (R)	VARIANCE
year					
Sundry transfers	-370 457 950	19 126 166	-105,2%		
Surplus from discontinued operations	-16 612	-	-100,0%		
Loss on disposal of PPE	14 182 815	387 283	-97,3%	420 159	
Closing surplus/(deficit)	1 345 210 269	1 370 577 164	1,9%	879 735	
	1 305 021 835	1 795 111 087	37,6%	472 406 590	280,0%
Rates and General (excluding discontinued operations)					
Income	201 628 572	235 833 272	17,0%	259 700 301	-9,2%
Expenditure	201 630 665	247 346 220	22,7%	314 550 551	-21,4%
Surplus/(deficit)	-2 093	-11 512 947		-54 850 250	-79,0%
Surplus/(deficit) as % of total income	0%	-4,9%		-21,1%	
Electricity					
Income	117 930 399	145 362 053	23,3%	145 516 164	-0,1%
Expenditure	71 322 526	107 303 106	50,4%	103 430 954	3,7%
Surplus/(deficit)	46 607 873	38 058 947	-18,3%	42 085 210	-9,6%
Surplus/(deficit) as % of total income	39,5%	26,2%		28,9%	
Water					
Income	65 662 823	68 382 292	4,1%	67 105 166	1,9%
Expenditure	43 150 124	50 371 148	16,7%	53 125 191	-5,2%
Surplus/(deficit)	22 512 699	18 011 144	-20,0%	13 979 975	28,8%
Surplus/(deficit) as % of total income	34,3%	26,3%		20,8%	

3.2.2 Performance against Budgets

Year	Revenue (R'000)				Expenditure (R'000)			
	Budget	Actual	Difference	Deviation	Budget	Actual	Difference	Deviation
07/08	481 465	385 222	-96 244	-20,0%	478 461	316 103	-162 358	-33,9%
08/09	472 322	449 578	-22 744	-4,8%	471 107	405 020	-66 086	-14,0%

The 2008/2009 budget was adjusted in accordance with the trends of the economic climate during the month of February 2009.

3.2.3 Consumer Debtors per Service

Year	Rates (R'000)	Trading Services (Electricity & Water) (R'000)	Economic Services (Sewerage & Refuse) (R'000)	Housing Instalments (R'000)	Other (R'000)	TOTAL (R'000)
07/08	6 110	22 668	22 751	1 286	2 445	55 260
08/09	6 497	23 533	20 507	1 169	2 129	53 835
Difference	387	865	-2 244	-116	-317	-1 425
% growth year on year	6,3%	3,8%	-9,9%	-9,0%	-13,0%	-2,6%

The Municipality has during the financial year written off bad debts to the amount of R14 699 448.

3.2.4 Consumers Debtors Age Analysis

Year	<30 days	31-60 days	61-90 days	>90 days	TOTAL
07/08	18 300	1 867	1 307	33 786	55 260
08/09	21 405	1 947	1 666	28 817	53 835
Difference	3 105	81	359	-4 970	-1 425
% Growth year on year	17,0%	4,3%	27,5%	-14,7%	-2,6%

The age analysis above shows a decrease of 14,7 per cent in the debtors who are overdue for more than 90 days. This is mostly due to the bad debts in the amount of R14 699 448 that were written off during the 2008/2009 financial year.

3.2.5 Staff Costs as Per cent age of Total Operating Expenditure

Year	Total Employee Related Costs (R'000)	Total Operating Expenditure (R'000)	Deviation
07/08	101 581	316 103	32,1%
08/09	127 640	405 020	31,5%

The norm is between 33 and 35 per cent. The Municipality has budgeted for the filling of vacant posts in the 2009/2010 budget.

3.2.6 Reliance on Grants and Subsidies

Year	Total Grants and Subsidies Received (R'000)	Total Operating Revenue (R'000)	Deviation
07/08	47 078	385 222	12,2%
08/09	70 981	449 578	15,8%

The Municipality received additional funding of R22,6 million for flood damage from National Treasury during the 2008/2009 financial year. This is the reason for the increase in the per cent age reliance on Grants and Subsidies.

3.2.7 Liquidity Ratios

Year	Net current assets (R'000)	Net current liabilities (R'000)	Ratio
06/07	260 060	83 042	3,1 : 1
07/08	266 031	53 734	4,9 : 1
08/09	270 144	86 993	3,1 : 1

3.2.8 Summary of Revenue, Expenditure, Asset and Debt Management Ratios

	2008/2009	2007/2008
1 REVENUE MANAGEMENT		
Ratio 1: Level of reliance on Government grants	15,8%	12,2%
Ratio 2: Actual revenue vs budgeted revenue	-4,8%	-20,0%
2 EXPENDITURE MANAGEMENT		
Ratio 1: Employee related costs to Total expenditure	31,5%	32,1%
Ratio 2: Actual expenditure vs Budgeted expenditure	-14,0%	-33,9%
Ratio 3: Interest as a per cent age of total expenditure	0,2%	0,2%
Ratio 4: Repairs and maintenance / Total book value of Property, Plant and Equipment (PPE)	4,0%	3,9%
Ratio 5: Repairs and maintenance / Total Expenditure	8,4%	9,7%

3 ASSET MANAGEMENT	Ratio 1: Acquisition of PPE - Actual vs Budget Ratio 2: Debtors collection period Ratio 3: Stockholding period	-6,5% 65 days 16 days	12,2% 78 days 20 days
4 DEBT MANAGEMENT	Ratio 1: Acid test ratio Ratio 2: Creditors payment period Ratio 3: Total liabilities / Total assets Ratio 4: Net cash flow from operations compared to Total debt of the municipality	3 : 1 29 days 9,7% 61,8%	5 : 1 10 days 7,8% 64,0%

3.2.9 Capital Budget Expenditure per Service Area

YEAR	HOUSING	WATER	SANITATION	REFUSE REMOVAL	STREETS & STORM WATER	COMMUNITY FACILITIES	ELECTRICITY
07/08	10,1%	31,9%	7,2%	1,8%	29,1%	5,0%	10,4%
08/09	2,3%	26,9%	11,9%	0,05%	31,0%	5,8%	18,6%

During the 2008/2009 financial year, the Municipality continued the spending on allocations carried forward for water and streets and storm water to repair flood damages that occurred during the previous financial year.

3.2.9.1 Percentage of Capital Budget Spent

FINANCIAL YEAR	% OF CAPITAL BUDGET SPENT	REASONS FOR UNDERSpending
07/08	83,2 %	Rollovers to 2008/09 financial year and housing top structures expensed and not part of the original Capital Budget.
08/09	93,5%	Two housing projects did not realise as the Municipality did not receive the funds from the Department of Housing. The Municipality also took a decision (Resolution No. E64/06/2009) that an amount of R700 000 be seen as a saving as the project could not realise in the 2008/2009 financial year as a result of high costs.

3.2.9.2 *Municipal Infrastructure Grant (MIG)*

FINANCIAL YEAR	AVAILABLE FUNDING (R'000)	AMOUNT SPENT (R'000)	% SPENT
07/08	12 127 500	10 347 540	85%
08/09	28 460 572	22 333 605	78%

3.3 *Provision of Free Basic Services and Subsidies*

The following tables provide the cost and details of free basic services provided by the Municipality in the year ended 30 June 2009:

3.3.1 Indigent Households

TYPE	INDIGENT HOUSEHOLDS	AMOUNT (R)	TOTAL BUDGET (R)	TOTAL TO DATE (R)	BUDGET	VARIANCE (R)
Water	6 453	79,15	510 754,95	6 032 600,47	5 204 099	-828 501,47
Refuse	7 151	61,34	438 642,34	5 161 076,48	4 409 089	-751 987,48
Sewerage	5 672	145,62	825 956,64	9 672 146,65	8 831 611	-840 535,65
TOTAL		286,11	1 775 353,93	20 865 823,60	18 444 799	-2 421 024,60

3.3.2 Subsidy Households

TYPE	SUBSIDY HOUSEHOLDS	SUBSIDY AMOUNT (R)	TOTAL BUDGET (R)	TOTAL TO DATE (R)	BUDGET	VARIANCE (R)
Water	1 055	78,80	83 134	955 430	984 940	29 510
Refuse	1 136	34,20	38 851,20	440 670	452 610	11 940
Sewerage	918	91,20	83 721,60	944 582,12	1 000 000	R55 417,88
TOTAL		204,20	205 706,80	2 340 682,12	2 437 550	R96 867,88

3.3.2 Total Free Basic Services

All households receive 6 kilolitres of water and 20 kWh of electricity free every month. The details for the 2008/2009 financial year are provided below:

SERV ICE	CONSUMERS	KL / KWH	MONTHLY AMOUNT
Water: Indigent 6 kl	6 379	38 274	127 835,16
Water: Normal 6 kl	19 354	117 120	391 18 ,80
Electricity: Indigent 50 kWh	5 427	269 100	127 015,20
Electricity: Normal 20 kWh	5 720	114 400	48 276,80
Electricity: Normal 20 kWh	13 504	268 600	147 964,46

3.4 Other Performance Indicators

3.4.1 Governance

Council fulfilled its meeting schedule and the meetings, excluding operational and sub-committee meetings, took place as follows over the past two financial years:

MEETING	2007/08	2008/2009
Council	4	3
Special Council Meetings	10	12
Standing Committees	40	40

3.4.2 Audit Committee

An Audit Committee consisting of diverse skilled members has been appointed and meets quarterly to evaluate municipal performance. Reports are submitted to the Municipal Manager and Council regarding their findings. An external specialist auditing firm performs the internal audit function on a contract basis.

3.4.3 Ward Committees

Ward Committees are operating successfully in ten out of the twelve wards and are functioning well. These Committees are playing an important role in the IDP, budgeting and general public participation processes of the Municipality.

3.4.4 Performance Management

A performance management system is in place and is conducted as follows:

POLICY AND FRAMEWORK	PERFORMANCE MANAGEMENT/ AUDIT COMMITTEE	PERFORMANCE MANAGEMENT SYSTEM
		S57 Appointees
Exist	Sits quarterly	All have performance contracts

3.4.5 Service Delivery and Budget Implementation Plan

The Municipality must in terms of the Municipal Finance Management Act, No 56 of 2003, develop and implement a service delivery budget implementation plan (SDBIP) within 28 days after the approval of the budget.

A SDBIP have been put in place for each service delivery unit with clear implementation timeframes for each project.

The Budget Office within the Financial Services Directorate is responsible for monitoring this plan quarterly. All Directorates submit reports on the status of projects to the Budget Office.

3.4.6 Local Economic Development (LED)

Progress has been made with the implementation of the Municipality's LED strategy when an LED Summit was held in September 2008 to finalise an implementation plan.

A 33-member Steering Committee, established at the summit and representing stakeholders across the local economic spectrum, met on a monthly basis to oversee the implementation of the plan.

The Municipality again contributed an amount of R700 000 in the 2008/2009 financial year towards the operating costs of the RED Door Business Advice Centre in Mossel Bay. This Centre provides a wide range of business support services to small, medium and micro enterprises (SMME's).

3.4.7 Youth Development

A youth development strategic planning session was held on 1 May 2009 and a Mossel Bay Youth Council that functions under the auspices of the Municipality was established.

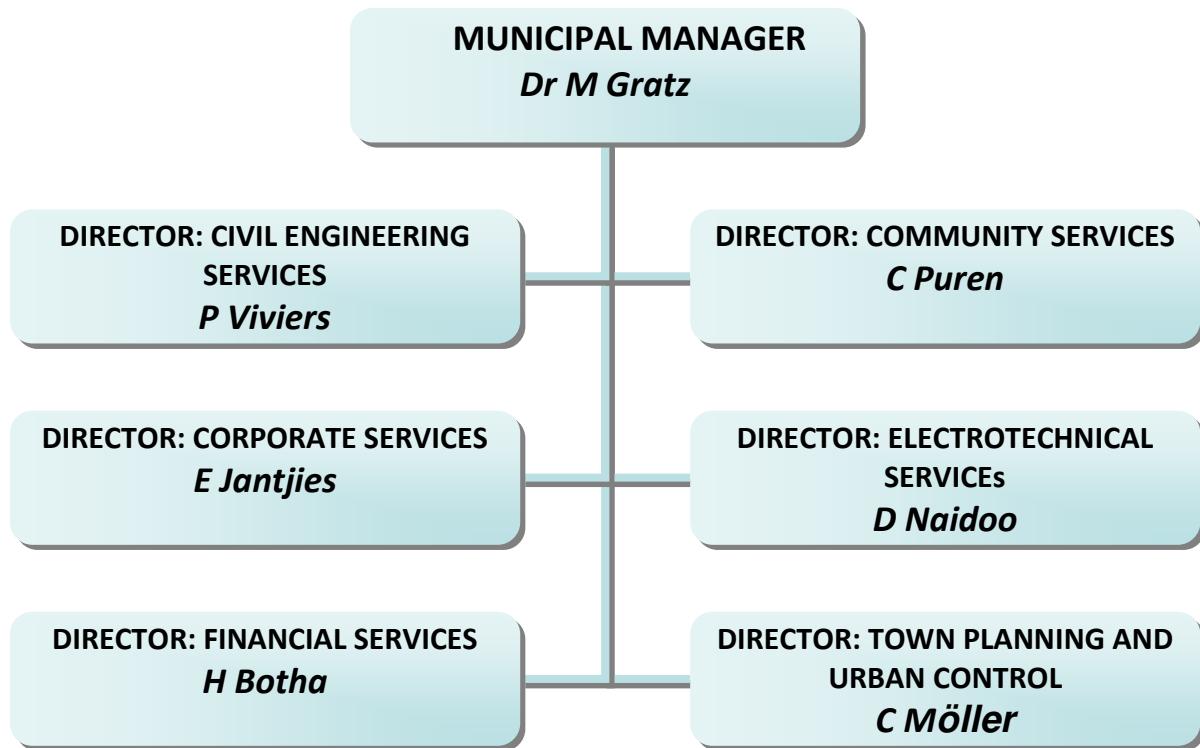
Youth Forums also functioned in ten of the twelve wards in the Municipality.

CHAPTER FOUR

INSTITUTIONAL DEVELOPMENT

3.1 Organisation Structure

The macro-structure of the Municipality was expanded and reorganised unchanged during the 2008/2009 financial year to include a new Directorate of Town Planning and Urban Control and was as follows at the end of the year under review:



Dr C du Plessis acted as Municipal Manager until the end of May 2009 and Dr M Gratz was appointed as Municipal Manager with effect from 1 June 2009.

Mr P Viviers was appointed as Director of Civil Engineering Services with effect from July 2008 and Mr C Möller was appointed with effect from December 2008 to head up the Directorate of Town Planning and Urban Control.

3.2 Functions and Responsibilities

The functions of the four directorates are as follows:

3.2.1 Directorate Civil Engineering Services

The Directorate is made up of two Sub-Directorates, namely Operational Engineering Services, which include public works and the maintenance of civil infrastructure and Planning, Project Management and Bulk Services which include planning, project management, water supply and distribution and sewage disposal services. .

3.2.2 Directorate Community Services

The Directorate is responsible for the provision of Cleansing, Environmental Health Services not provided by the Eden District Municipality, Community Safety, Fire and Rescue Services, Welfare Development and Housing, Sport, Recreation and Facilities.

3.2.3 Directorate Corporate Services

The Directorate is responsible for support services which include the Secretariat, Typing Services, Archives, Switchboard and Cleaning, Legal Services, Human Resources, Change Management (Integrated Development Plan, Employment Equity and Performance Management System), Socio-Economic Development (Local Economic Development, Youth Development and Ward Committees) and Library Services.

3.2.4 Directorate Electrotechnical Services

The Directorate Electrotechnical Services is responsible for the safe and efficient distribution of electricity to approximately 29 583 customers within an area of 2007 square kilometres, in compliance with the Occupational Health and Safety Act and the Electricity Regulation Act.

The Directorate is also responsible for Corporate Risk Management, which encompasses Safety and Fleet Management.

3.2.5 Directorate Financial Services

The Directorate is responsible for Financial Administration (budget, credit control, cash flow management, loans, investments and valuations), Income, Expenditure, Information Technology and Supply Chain Management.

The Municipality successfully established a Budget Office as required in terms of Municipal Finance Management Act, No 56 of 2003.

3.2.6 Directorate Town Planning and Urban Control

The Directorate is responsible for planning and development (strategic planning and development control), as well as building control and municipal properties (building plan examining, building inspectorate, municipal buildings and property and outdoor advertising).

In addition to doing its own spatial development planning and exercising control over Council property, development, building activities and Outdoor Advertising, an information service is provided to property owners and developers.

- ❖ *More details about the composition, employment equity, etcetera, of the Municipality's labour force and related matters appear in Chapter 6 of this Annual Report.*

CHAPTER FIVE

2008/2009 AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

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GENERAL INFORMATION

Mayoral Committee: Alderlady M Ferreira (Executive Mayor).
 Councillor H Levendal (Executive Deputy Mayor and Chairperson, Community Services Committee).
 Cllr Ms E Domingo (Chairperson, Corporate Services Committee).
 Cllr J van der Merwe (Chairperson, Financial Services Committee).
 Alderman E Scheepers (Chairperson, Technical Services Committee).

Speaker: Alderman N Lodewyks.

Ward Councillors:

1 Cllr R Skombingo (ANC).	2 Cllr S A Maphisa (ANC).
3 Cllr Ms N E Bobotyana (ANC).	4 Cllr B Jacobs (ANC).
5 Cllr J J Gerber (DA).	6 Alderman E Scheepers (DA).
7 Cllr J van der Merwe (DA).	8 Alderman N J Lodewyks (DA).
9 Cllr R Damons (Independent).	10 Cllr J Booyens (DA).
11 Cllr P A Du Plessis (DA).	12 Cllr W T Buda (ANC).

Proportional Representative Councillors:

Cllr Ms M de Klerk (ANC).	Cllr Ms E Domingo (DA).
Alderlady M Ferreira (DA).	Cllr H Floors (DA).
Cllr Ms N Giles (ACDP).	Cllr O J Kumalo (DA).
Cllr H Levendal (DA).	Cllr Ms N C Lichaba (ANC).
Cllr S Manuel (ID).	Cllr Ms S Moodie (DA).
Cllr K H Smit (DA).	

Auditors:

The Auditor-General
 Private Bag X1
 CHEMPET, 7442

Bankers:

NEDBANK

Municipal Manager:

Dr M Gratz

Chief Financial Officer:

Mr H F Botha

Registered Office:

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 101 Marsh Street
 Mossel Bay
 6506

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 6500

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admin@mosselbaymun.co.za

Website:

<http://www.mosselbaymun.co.za>

CERTIFICATION BY MUNICIPAL MANAGER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 31 to 115 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

31/08/2009

Date

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MOSSEL BAY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mossel Bay Municipality, which comprise the statement of financial position as at 30 June 2009, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 48 to 103

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standards of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mossel Bay Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Mossel Bay Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Restatement of corresponding figures

9. As disclosed in note 36 to the financial statements, the corresponding figures for the prior statement of financial position have been restated as a result of errors discovered during the current year ended 30 June 2009 in the financial statements of the Mossel Bay Municipality at, and for the year ended, 30 June 2008.

Material losses

10. As disclosed in note 42.9 to the financial statements the municipality incurred water distribution loss of 1 462 megalitres (14.9%) for the year under review.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Systems Act, 2000 (Act no. 32 of 2000)

11. Not all councillors declared their financial interests, as required by schedule 1, section 7 of the Municipal Systems Act.

Unaudited supplementary schedules

12. The supplementary information set out on pages 104 to 115 does not form part of the financial statements and accordingly I do not express an opinion thereon.

Material inconsistencies in other information included in the annual report

13. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Governance framework

14. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

15. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

16.

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input checked="" type="checkbox"/>	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input checked="" type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input checked="" type="checkbox"/>	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input checked="" type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input checked="" type="checkbox"/>	
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. The audit committee operates in accordance with approved, written terms of reference. The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	<input checked="" type="checkbox"/>	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	<input checked="" type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input checked="" type="checkbox"/>	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input checked="" type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input checked="" type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		<input checked="" type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input checked="" type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	<input checked="" type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	Not applicable	

No.	Matter	Y	N
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	<input checked="" type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input checked="" type="checkbox"/>	

17. The annual financial statements had a material misstatement relating to a technical interpretation of the statements of GRAP. The main reason for this is the lapse in ongoing monitoring and supervision to enable an assessment of the effectiveness of internal control over financial reporting.

18. A risk assessment process and fraud prevention plan, which are essential with regard to the development of and compliance with risk management and good internal control and governance practices, have been initiated but not yet completed. The main root cause is a lack of ongoing monitoring and supervision by leadership to ensure the timely completion of the process.

19. The information system framework is not detailed enough to facilitate the preparation of a performance report that is accurate and complete. Furthermore, detailed standard operating procedures setting out the roles and responsibilities of all levels of staff involved in the collection and collation of performance information, from source document to reporting, have not been prepared and communicated throughout the entire municipality. This is indicative of a situation where adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information and adequate mechanisms were not established to monitor and review the performance management system as required by section 40 of the Municipal Systems Act of 2000.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

20. I have reviewed the performance information as set out on pages 19 to 28.

The accounting officer's responsibility for the performance information

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

22. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

23. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
24. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

25. The integrated development plan of the Mossel Bay Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1) (b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Lack of implementation of a performance management system

26. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Usefulness and reliability of reported performance information

27. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate? Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported performance information

28. The municipality has not reported on its performance with regard to its objectives/indicators/targets as per the approved integrated development plan with respect to the following objectives.

Transport

To ensure an effective and reliable public transport system infrastructure, in the entire municipal area.

To create an enabling environment for an effective public transport system.

APPRECIATION

29. The assistance rendered by the staff of the Mossel Bay Municipality during the audit is sincerely appreciated.

Auditor - General

Cape Town

18 January 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2009 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2008/09 financial performance of the Municipality to the 2007/08 comparative figures:

RATIO DESCRIPTION	2007/08	2008/09
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on government grants</i>	12,2%	15,8%
<i>Actual income vs Budgeted income</i>	(20%)	(4,8%)
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	32,1%	31,5%
<i>Actual expenditure vs Budgeted expenditure</i>	(33,9%)	(14%)
<i>Interest paid as a percentage of total expenditure</i>	0,2%	0,2%
<i>Repairs and maintenance / Total expenditure</i>	9,7%	8,4%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	12,2%	(6,5%)
<i>Debtors collection period</i>	78 days	65 days
<i>Stockholding period</i>	20 days	16 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period</i>	10 days	29 days
<i>Total liabilities / Total Assets</i>	7,5%	9,3%

** Refer to Appendix E (2) for explanations on variances.

3 OPERATING RESULTS

3.1 Summary of results

Details of the operating results per segmental classification are included in Appendix D, while operational results per category, together with a cryptic explanation of significant variances of more than 10 per cent from the adjusted budget, are included in Appendix E(1).

DESCRIPTION	Actual 2007/08	Actual 2008/09	Variance	Adjusted Budget 2008/09	Variance
INCOME					
<i>Opening surplus/(deficit)</i>	960 018 216	1 345 210 269	40,1%		
<i>Operating income for the year</i>	385 221 794	449 577 617	16,7%	472 321 631	(4,8%)
<i>Gain on Disposal of PPE</i>	1 196 604	125 766	(89,5%)	84 959	
<i>Appropriations for the year</i>	(41 414 777)	197 434	(100,5%)		
	1 305 021 835	1 795 111 087	37,6%	472 406 590	280%
EXPENDITURE					
<i>Operating expenditure for year</i>	316 103 314	405 020 474	28,1%	471 106 696	(14%)
<i>Sundry transfers</i>	(370 457 950)	(19 126 166)	(105,2%)		
<i>Surplus from discontinued operations</i>	(16 612)	-	(100,0%)		
<i>Loss on Disposal of PPE</i>	14 182 815	387 283	(97,3%)	420 159	
<i>Closing surplus/(deficit)</i>	1 345 210 269	1 370 577 164	1,9%	879 735	
	1 305 021 835	1 795 111 087	37,6%	472 406 590	280%

The accumulated surplus as at 30 June 2009 amounted to R1 370,6 million. The accumulated surplus at 30 June 2008 of R960,02 million was restated with the previous year's corrections of R370 million, amounting to R1 345,2 million. This indicates an increase of R25,4 million or 1,9% in the accumulated surplus from the 2007/08 financial year to the 2008/09 financial year.

The R370-million restatement of the previous year's accumulated surplus is mainly due to the transfer of the Capitalisation, Government Grant and Donations and Public Contribution Reserves to the Accumulated Surplus in accordance with the change in the Municipality's accounting policy, as well as corrections for Land and Buildings recognised for the first time.

The operating income increased by 16,7 per cent to R449,6 million from the previous financial year's income of R385,2 million. The operating expenditure increased by 28,1 per cent to R405,02 million from the previous financial year's expenditure of R316,1 million. The main contributor to this is the increase in expenditure on bulk purchases of water and electricity.

The Municipality did not escape the effects of the global economic meltdown and actual operating revenue of R449 577 617, expenditure of R405 020 474 and the loss on disposal of Property, Plant and Equipment of R261 517 were realised for the 2008/09 financial year as shown in the Statement of Financial Performance. It must, however, be taken into account that there is certain expenditure, which was transferred through the Statement of Changes in Net Assets, it was shown as an expenditure in the operational budget, for example:

- Contribution to Capital Replacement Reserve R27 350 000
- Transfer of Land Sales and External Services contributions R 2 212 809

The abovementioned amounts are therefore not included in the gross income and expenditure amounts mentioned above. It is for these reasons that the surplus as shown in the Statement of Financial Performance cannot be compared with the budgeted surplus.

3.2 Rates and General Services

DESCRIPTION	Actual 2007/08	Actual 2008/09	Variance	Adjusted Budget 2008/09	Variance
Income	201 628 572	235 833 272	17,2%	259 700 301	(9,2%)
Expenditure	201 630 665	247 346 220	22,7%	314 550 551	(21,4%)
Surplus/(deficit)	(2 093)	(11 512 947)		(54 850 250)	(79%)
Surplus/(deficit) as % of total income		(0%)	(4,9%)		(21,1%)

Variance from 2007/08 Actual

The deficit with regard to rates and other general services amount to R11 512 947 for the 2008/09 financial year, while 2007/08 indicated a deficit of R2 093.

Variance from 2008/09 Budget

It is clear from the above statement that the actual income and expenses with regard to Rates and General services are within the budgeted amounts for the 2008/09 financial year.

3.3 Trading Services

Council purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in electricity tariffs must be approved by the National Electricity Regulator before Council can implement them. Eskom normally adjusts its tariffs in January of every year but Council endeavours to limit its increase to only one increase during July every year.

Council has some of its own water sources of which the Ernest Robertson Dam is the largest. Council also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

3.3.1 Electricity

DESCRIPTION	Actual 2007/08	Actual 2008/09	Variance	Adjusted Budget 2008/09	Variance
Income	117 930 399	145 362 053	23,3%	145 516 164	(0,1%)
Expenditure	71 322 526	107 303 106	50,4%	103 430 954	3,7%
Surplus/(deficit)	46 607 873	38 058 947	(18,3%)	42 085 210	(9,6%)
Surplus/(deficit) as % of total income		39,5%	26,2%		28,9%

Variance from 2007/08 Actual

The electricity service shows a surplus for both the 2007/08 and the 2008/09 financial years, with a decrease of 18,3 per cent between the two years. The surplus of R38,1 million for the 2008/09 financial year represents a profit of 26,2 per cent, whereas a profit of 39,5 per cent was realised in the 2007/08 financial year.

Variance from 2008/09 Budget

The total actual income is 0,1 per cent lower than the budgeted amount of R145,5 million for the 2008/09 financial year, while the expenditure is 3,7 per cent more than the budgeted amount of R103,4 million.

The following table shows the information regarding Electricity distribution:

ELECTRICITY DISTRIBUTION	2007/08 Financial year	2008/09 Financial year
Units purchased (kWh)	307 107 000	307 403 704
Purchase price per kWh	18,9 cent	25,72 cent
Units sold (kWh)	279 083 000	284 372 556
Free Units		7 681 610
Units lost during distribution (kWh)	24 024 000	15 349 538
Percentage lost during distribution	7,93 %	4,99 %
Net purchase cost (per unit)	18,9 cent	25,72 cent
Total cost per unit	29,49 cent	29,21 cent
Net sales per unit	42,27 cent	54,45 cent
Total income	R117 957 576	R159 033 398

3.3.2 Water

DESCRIPTION	Actual 2007/08	Actual 2008/09	Variance	Adjusted Budget 2008/09	Variance
Income	65 662 823	68 382 292	4,1%	67 105 166	1,9%
Expenditure	43 150 124	50 371 148	16,7%	53 125 191	(5,2%)
Surplus/(deficit)	22 512 699	18 011 144	(20%)	13 979 975	28,8%
Surplus/(deficit) as % of total income	34,3%	26,3%		20,8%	

Variance from 2007/08 Actual

The water service shows a surplus for both the 2007/08 and the 2008/09 financial years, with a decrease of 20 per cent between the two years.

The surplus of R18 million for the 2008/09 financial year represents a profit of 26,3 per cent, whereas a profit 34,3 per cent was realised in the 2007/08 financial year.

Variance from 2008/09 Budget

The total actual income is 1,9 per cent more than the budgeted amount of R67,1 million for the 2008/09 financial year, while the expenditure is 5,2 per cent less than the budgeted amount of R53,1 million.

The following table shows the information regarding Water distribution:

WATER DISTRIBUTION	2007/08 Financial year	2008/09 Financial year
<i>Megalitres purified</i>	9 786	9 790
<i>Megalitres sold</i>	7 426	8 328
<i>Megalitres lost during distribution</i>	2 360	1 462
<i>Percentage lost during distribution</i>	24,11%	14,93%
<i>Cost per megalitre purified</i>	1 833,47	2 264,66
<i>Total income</i>	R48 062 467	R54 921 278
<i>Income per megalitre sold</i>	6 472,11	6 594,47

4 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R100 501 944 and was financed as follows:

SOURCE OF FINANCE	2008/09 Actuals	% of Total Capital Expenditure
<i>Capital Replacement Reserve</i>	70 004 700	69,7%
<i>Grants and Subsidies</i>	26 972 718	26,8%
<i>Public Contributions</i>	64 474	0,1%
<i>Other</i>	3 460 052	3,4%
TOTAL	100 501 944	100,0%

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve as the Municipality does have the financial resources to finance infrastructure capital expenditure from its own funds.

5 CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve at 30 June 2009 amounted to R101 808 566 (R101 870 384 at 30 June 2008).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made to the reserve annually.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

6 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2009 the outstanding external loans amounted to R4 899 619 (R4 723 276 in 2008). Annuity loans in the amount of R239 972, stock loans of R178 740 and leases in the amount of R1 308 870 were redeemed during this financial year.

Council's cashbook showed a negative balance of R1 098 895 and Petty Cash to the amount of R13 980 on 30 June 2009. The bank account showed a positive balance of R21 508 524 with external investments amounting to R203 million against R196 million of the previous year.

More particulars regarding external loans and investments appear in Notes 4 and 21 to the Annual Financial Statements, as well as Appendix A.

NON-CURRENT PROVISIONS

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R2 781 125 as at 30 June 2009 (nil at 30 June 2008) and are made up as follows:

Rehabilitation of Landfill Sites	R 546 000
Clearing of Alien Vegetation	<u>R 2 235 125</u>
	<u>R 2 781 125</u>

Refer to Note 5 of the Annual Financial Statements for more detail.

7 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regard to employee benefits when they become due and payable.

The employee benefits liability amounted to R66 290 455 at 30 June 2009 (R65 063 088 at 30 June 2008) and is made up as follows:

Post Employment Health Care Benefits	R 60 258 159
Ex-Gratia Pensioners	R 789 937
Long Service Awards	<u>R 5 242 359</u>
	<u>R 66 290 455</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

8 CURRENT LIABILITIES

Current liabilities are those liabilities of the municipality that are due and payable in the short term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations. Current liabilities amounted to R80 195 473 at 30 June 2009 (R47 954 250 at 30 June 2008) and are made up as follows:

Consumer deposits	Note 8	R2 749 853
Provisions	Note 9	R1 940 000
Current portion of employee benefits	Note 6	R2 732 473

Trade and other payables	Note 10	R 53 042 359
Unspent conditional grants and receipts	Note 11	R 14 321 321
Taxes	Note 12	R 2 326 786
Bank overdraft	Note 21	R 1 098 895
Operating lease liability	Note 22	R 79 185
Current portion of long-term liabilities	Note 4	R 1 904 602
		<u>R 80 195 473</u>

9 CURRENT ASSETS

Current assets amounted to R270 144 354 at 30 June 2009 (R266 031 288 at 30 June 2008) and is made up as follows:

Inventory	Note 17	R 11 206 726
Trade receivables from exchange	Note 18	R 30 765 334
Other receivables from non-exchange	Note 19	R 24 527 278
Current portion of long-term receivables	Note 16	R 523 929
Cash and cash equivalents	Note 21	R203 013 980
Operating lease assets	Note 22	R 107 108
		<u>R270 144 354</u>

The investment deposits of R203 million (included in Cash and Cash Equivalents) are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the current portion of Long-term Liabilities and no funds are available for own purposes.

10 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

DEBTOR	As at 30 June 2009	As at 30 June 2008	Variance
Service debtors:	29 681 891	25 210 313	17,7%
- Electricity	10 238 375	8 092 823	26,5%
- Water	7 605 921	6 461 505	17,7%
- Refuse	2 999 907	2 596 184	15,6%
- Sewerage	8 837 688	8 059 800	9,7%
Debt pack collections	5 474	8 978	(39,0%)
Land Sales	6 379	7 456	(14,4%)
Housing instalments	559 456	493 898	13,3%
Housing rentals	246 097	268 495	(8,3%)
Other	266 036	468 003	(43,2%)
TOTAL	30 765 334	26 457 143	16,3%

The net balance of other receivables from non-exchange transactions is indicated below:

DEBTOR	As at 30 June 2009	As at 30 June 2008	Variance
Rates	5 303 691	4 533 498	17%
Accrued Income	12 952 312	10 514 929	23,2%
Other	6 271 275	7 658 267	(18,1%)
TOTAL	24 527 278	22 706 694	8%

The municipality has during the financial year written off bad debts to the amount of R14 699 448.

11 EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. A special word of thanks goes to all staff that assisted with the collation of year-end information, for without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
B. Com. AIMTR (S.A.)
CHIEF FINANCIAL OFFICER

Date: 31 August 2009

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net assets			
Housing development fund	2	9 854 239	9 989 856
Reserves	3	101 808 566	101 870 384
Capital replacement reserve		101 808 566	101 870 384
Capitalisation reserve		-	-
Government grant reserve		-	-
Donations and public contribution reserves		-	-
Accumulated surplus/(deficit)		1370 577 164	1326 084 102
Non-current liabilities			
Long-term liabilities	4	2 995 017	2 780 381
Non-current provisions	5	2 781 125	-
Employee benefits	6	66 290 455	65 063 088
Non-current deposits	7	202 289	185 909
Current liabilities			
Consumer deposits	8	2 749 853	2 385 207
Provisions	9	1 940 000	75 000
Current portion of Employee benefits	6	2 732 473	3 245 285
Trade and other payables	10	53 042 359	33 934 651
Unspent conditional grants and receipts	11	14 321 321	2 915 491
Taxes	12	2 326 786	3 436 067
Bank overdraft	21	1 098 895	-
Operating Lease Liability	22	79 185	19 654
Current portion of long-term liabilities	4	1 904 602	1 942 895
Total Net Assets and Liabilities		1634 704 329	1553 927 971
ASSETS			
Non-current assets			
Property, plant and equipment	13	859 739 305	782 522 720
Intangible Assets	14	441 980	596 452
Investment Property	15	503 157 653	503 217 653
Long-term receivables	16	1 221 037	1 559 858
Investments	20	-	-
Current assets			
Inventory	17	11 206 726	11 903 609
Trade and other receivables from Exchange transactions	18	30 765 334	26 457 143
Other receivables from non-exchange transactions	19	24 527 278	22 706 694
Current portion of long-term receivables	16	523 929	1 306 304
Cash and Cash equivalents	21	203 013 980	203 555 875
Operating Lease Assets	22	107 108	101 663
Total Assets		1634 704 329	1553 927 971

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	Actual	
		2009	2008
<u>Continued operations</u>			
REVENUE			
Revenue from Non-exchange Transactions			
<i>Taxation revenue</i>			
Property rates	23	129 234 117	99 644 313
		44 142 322	39 213 422
		44 142 322	39 213 422
<i>Transfer revenue</i>			
Government grants and subsidies	25	73 555 776	57 673 176
Public contributions, donated and contributed PPE	27	70 981 263	47 077 652
		2 574 513	10 595 524
<i>Other non-exchange revenue</i>			
Fines		11 536 019	2 757 715
Actuarial gains		4 910 305	2 757 715
		6 625 714	-
Revenue from Exchange Transactions			
Property rates - penalties imposed & collection charges		320 343 501	285 577 480
Service charges	24	2 083 719	2 155 837
Rental of facilities and equipment		254 888 753	214 557 025
Interest earned - external investments		1 645 265	1 344 640
Interest earned - unamortised discount		26 876 842	23 715 122
Interest earned - outstanding debtors		1 296	2 711
Licences and permits		413 920	522 081
Other income	26	4 241 681	4 257 088
		30 192 026	39 022 976
Total Revenue		449 577 617	385 221 794
EXPENDITURE			
Employee related costs	28	127 640 232	101 581 414
Remuneration of Councillors	29	5 427 079	4 896 255
Impairment Costs	30	12 332 565	6 488 731
Collection costs		3 858 770	5 350 034
Depreciation		22 913 742	22 376 068
Amortisation - Intangible Assets		154 471	569 523
Actuarial losses		1 410 476	2 710 945
Repairs and maintenance		34 032 658	30 706 588
Interest paid	31	786 935	653 875
Bulk purchases	32	92 789 002	57 157 031
Contracted services		19 230 387	17 294 692
Grants and subsidies paid	33	3 010 247	2 958 645
General expenses	34	81 433 911	63 359 513
Total Expenditure		405 020 474	316 103 314
Gain on disposal of Property, Plant & Equipment		125 766	1 196 604
Loss on disposal of Property, Plant & Equipment		(387,283)	(14, 182,815)
SURPLUS/(DEFICIT) FOR THE YEAR		44 295 627	56 132 268
Discontinued operations			
Surplus for the year from discontinued operations	35	-	16 612
SURPLUS FOR THE YEAR		44 295 627	56 148 880
Refer to Appendix E(1) for explanations of variances			

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations & public contribution reserve	Accumulated surplus/(deficit)	Total
2008	R	R	R	R	R	R	R
Balance at 1 July 2007	3 833 337	68 152 446	87 951 500	84 697 931	83 550 717	960 018 216	1288 204 145
Prior Year Adjustments (Note 36)			(87 951 500)	(84 697 931)	(83 550 717)	114 257 802	114 257 802
Change in accounting policy (Note 37)						256 200 148	-
Change in accounting estimate (Note 38)							
Restated Balance at 1 July 2007	3 833 337	68 152 446	-	-	-	1330 476 166	1402 461 947
Surplus/(deficit) for the year						56 148 880	56 148 880
Transfer to CRR			88 426 436			(88 426 436)	-
Proceeds on disposal			1 221 504			(1 221 504)	-
Contribution from CRR - purchase PPE			(55 945 502)			55 945 502	-
Transfer to FDR Government Grants Reserve				14 816 232		(14 816 232)	-
Transfer to FDR Don. and Public Contr. Reserve					6 218 129	(6 218 129)	-
Transfer to Housing Development Fund						(17 709 830)	-
Transfer from Housing Development Fund						5 080 256	-
Offsetting of depreciation						17 375 482	-
Asset disposals						8 576 113	(3)
Balance at 30 June 2008	16 462 910	101 854 884	(13 512 798)	11 577 224	(2 981 664)	1345 210 269	1458 610 824
2009							
Prior Year Adjustments (Note 36)	(6 473 054)	15 500	13 512 798	(11 577 224)	2 981 664	(14 208 929)	(20 666 483)
Change in accounting policy (Note 37)	-	-	-	-	-	(4 917 237)	-
Change in accounting estimate (Note 38)	-	-	-	-	-	-	-
Restated balance at beginning of the year	9 989 856	101 870 384	-	-	-	1326 084 102	1437 944 343
Surplus/(deficit) for the year						44 295 627	44 295 627
Transfer to CRR			69 942 882			(69 942 882)	-
Proceeds on disposal			(70 004 700)			70 004 700	-
Contribution from CRR - purchase PPE			-			-	-
Transfer to FDR Government Grants Reserve						(14 940)	-
Transfer to FDR Don. and Public Contr. Reserve						150 557	0
Transfer to Housing Development Fund						-	-
Transfer from Housing Development Fund						(0)	(0)
Offsetting of depreciation						-	-
Asset disposals						-	-
Balance at 30 June 2009	9 854 240	101 808 566	-	-	-	1370 577 164	1482 239 970

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts:			
Ratepayers		424 135 016	356 939 003
Government		302 926 741	267 110 323
Other		82 654 794	44 563 899
		38 553 480	45 264 781
Payments:			
Suppliers		355 879 783	305 065 195
Employees		144 169 706	118 092 886
Other		122 679 367	98 315 508
Cash generated from/(utilised in) operations	39	89 030 709	88 656 801
		68 255 233	51 873 808
Interest received		27 290 762	24 239 914
Interest paid		(786 935)	(653 875)
Net cash from operating activities		94 759 060	75 459 846
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(98 690 831)	(61 490 272)
Proceeds on disposal of PPE		697 576	1 196 604
(Increase)/decrease in investment properties		60 000	
(Increase)/decrease in long-term receivables	16	1 057 397	1 268 849
(Increase)/decrease in current investments	20	-	207 000 000
Net cash from investing activities		(96 875 857)	147 975 180
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	8	364 645	125 423
New loans raised/(repaid)		111 361	1 112 255
Net cash from financing activities		476 007	1 237 678
Net increase / (decrease) in cash and cash equivalents		(1 640 791)	224 672 705
Cash and cash equivalents at the beginning of the year		203 555 875	(21 116 829)
Cash and cash equivalents at the end of the year	21	201 915 085	203 555 875

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1: Accounting Policy

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of Government Gazette 28095, December 2005 and Government Gazette 31021, May 2008.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board, are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures

Reference	Topic
IFRIC 2 (AC 435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 14 (AC 447) IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC 449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Comparative Information

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, Amendments To Standards And Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

1.6 Foreign currency transactions

Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.8 Reserves

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a decision by the Accounting Officer. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment.

The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The proceeds from the disposal of property, plant and equipment originally financed through the CRR must be transferred to the CRR.
- All proceeds from the sale of land will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.
- The CRR is reduced and the accumulated surplus/ (deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR.

1.9 Financial Instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.9.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Trade and Other Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Short-term Investment Deposits
- Bank Balances and Cash
- Operating lease assets

The *Financial Assets* of the municipality are presently classified as follows into three categories:

Type of Financial Asset	Classification in terms of IAS 39.09
Long-term Receivables	Loans and receivables
Trade and Other Receivables from Exchange Transactions	Loans and receivables
Other Receivables from Non-Exchange Transactions	Loans and receivables
Current portion of Long-term Receivables	Loans and receivables
Short-term Investment Deposits	Loans and receivables
Bank Balances and Cash	Loans and receivables
Operating lease assets	Held to maturity

1.9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Consumer Deposits
- Operating lease liabilities

There are two main categories of Financial Liabilities, based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities').

Trade and Other Payables

Trade and Other payables are stated at their settlement value.

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. The accrual is based on the total accrued leave days at year-end.

1.9.2 Measurement

Financial Assets

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

1.9.3 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value.

After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.9.4 De-recognition of Financial Instruments

1.9.5 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.9.6 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.9.7 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.10 Leases

1.10.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.10.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.13 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.14 Employee Benefits

(a) *Pension obligations*

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries bi-annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

1.15 Trade Payables (Creditors)

Trade payables and other receivables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.16 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.17 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue.

1.18 Taxes - Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19 Property, Plant and Equipment

1.19.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated Property, Plant and Equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.19.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives.

	Years		Years
Infrastructure		Other	
Roads	13-113	Buildings	30
Storm water	24-96	Specialist vehicles	10
Electricity	5-73	Other vehicles	5
Water	7-120	Office equipment	3-7
Sewerage	6-138	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and equipment	
Security	5	Landfill sites	2-5
			15

1.19.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20 Investment Property

1.20.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction cost once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.20.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are shown at fair value, based on periodic valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.20.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.21 Intangible Assets

1.21.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.21.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.21.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5

1.21.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.22 Non-Current Assets held for sale

1.22.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.22.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.23 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

1.24 Inventories

1.24.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost.

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.24.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.25 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.26 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.27 Revenue Recognition

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed.

The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read.

These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements.

Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for agency services recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the legal entitlement to this revenue arises. A calculation of fines to be received is made at year-end based on the average collection rate of the past three years.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.29 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

1.33 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

Notes 2 – 47: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2009	2008
	R	R
Balance at beginning of the year	9 989 856	3 833 336
Income	14 940	10 470 104
Land Sales	7 440	9 014
Housing Letting/Selling Scheme Loans	7 500	10 461 090
Housing Selling Scheme Loans Interest	-	-
Housing Debtors	-	-
Less: Expenditure	150 557	4 313 585
Funding Capital Projects	-	-
Funding Operating Projects	150 557	4 313 585
Total Housing Development Fund assets and liabilities	9 854 239	9 989 856

Refer to Note 36.5 for detail regarding the restatement of previous year balances.

3. RESERVES

Capital Replacement Reserve	101 808 566	101 870 384
Future Depreciation Reserve	-	-
Assets financed ex Capitalisation Reserve	-	-
Assets financed ex Government Grant	-	-
Assets financed ex Donations and Public Contributions	-	-
	101 808 566	101 870 384

The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.

Refer to Notes 36.4 & 37.5 for detail regarding the restatement of previous year balances.

4. LONG-TERM LIABILITIES

Local registered stock loans	656,484	840 175
Annuity loans	320,731	490 770
Finance lease liability	3,922,404	3 392 331
Sub-total	4 899 619	4 723 276
Less: Current portion transferred to current liabilities	1 904 602	1 942 895
Local registered stock loans	160 957	293 493
Annuity loans	239 973	239 972
Finance lease liability	1 503 671	1 409 430
Total Long-term Liabilities	2 995 017	2 780 381

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and ten years.

Annuity loans:

Annuity loans bear interest at NIL percent. One of these loans will be fully redeemed in the 2009/10 financial year and the other will be redeemed in the 2012/13 financial year.

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years.

Finance leases bear interest at rates between 11 and 15 percent.

Finance lease liabilities are secured over the items of vehicles and office equipment leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

No later than 1 year	1 503 671	1 014 893
Later than 1 year and no later than 5 years	3 282 375	2 826 228
Later than 5 years	-	-
	4 786 046	3 841 122
Future finance charges on finance leases	(863 642)	(448 791)
	3 922 404	3 392 331

The present value of finance lease liabilities is as follows:

No later than 1 year	2 418 733	1 409 430
Later than 1 year and no later than 5 years	1 503 671	1 982 900
Later than 5 years	-	-
	3 922 404	3 392 331

Refer to Appendix A for more detail on long-term liabilities and the unamortised discount on these liabilities.

5. NON-CURRENT PROVISIONS

	2009 R	2008 R
Rehabilitation of Landfill sites	621 000	-
Clearing of Alien Vegetation	4 100 000	-
	<hr/>	<hr/>
Less: Transfer to Current Provisions	1 939 875	-
Rehabilitation of Landfill sites	75 000	-
Clearing of Alien Vegetation	1 864 875	-
	<hr/>	<hr/>
Total Non-Current Provisions	2 781 125	-
Rehabilitation of Landfill sites	546 000	-
Clearing of Alien Vegetation	2 235 125	-

The movement in non-current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
30 June 2009		
Balance at beginning of year	-	-
Contribution to provisions	4 100 000	621 000
Interest Cost	-	-
Service cost & transitional liability	-	-
Benefit payments (Expenditure incurred)	-	-
Actuarial loss / (gain)	-	-
Transfer to current provision	(1 864 875)	(75 000)
Balance at end of year	<hr/> <hr/>	<hr/> <hr/>
	2 235 125	546 000

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
30 June 2008		
Balance at beginning of year	-	-
Contribution to provisions	-	-
Interest Cost	-	-
Service cost & transitional liability	-	-
Benefit payments (Expenditure incurred)	-	-
Actuarial loss / (gain)	-	-
Transfer to current provision	-	-
Balance at end of year	<hr/> <hr/>	<hr/> <hr/>
	-	-

5.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined on the basis of a recent independent study. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2011 and 2015.

5.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

6. EMPLOYEE BENEFITS

Post Employment Health Care Benefits	62 153 859	62 958 269
Ex-Gratia Pensioners	899 085	1 003 461
Long Service Awards	5 969 984	4 346 643
	<hr/>	<hr/>
Less: Transfer to Current liability	2 732 473	3 245 285
Post Employment Health Care Benefits	1 895 700	2 346 836
Ex-Gratia Pensioners	109 148	120 641
Long Service Awards	727 625	777 808
	<hr/>	<hr/>
Total Non-Current liability	66 290 455	65 063 088
Post Employment Health Care Benefits	60 258 159	60 611 433
Ex-Gratia Pensioners	789 937	882 820
Long Service Awards	5 242 359	3 568 835

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Pensioners</u>	<u>Long Service Awards</u>
30 June 2009			
Balance at beginning of year	62 958 269	1 003 461	4 346 643
Contribution to provisions	6 625 759	81 893	347 731
Interest Cost	1 126 375	(105 581)	388 192
Service cost & transitional liability	(2 011 518)	(80 688)	(523 059)
Benefit payments (Expenditure incurred)	(6 545 026)	(727 625)	1 410 476
Actuarial loss / (gain)	-	-	-
Transfer to current provision	-	-	-
Balance at end of year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	62 153 859	899 085	5 242 359

	<u>Post Empl</u>	<u>Ex-Gratia</u>	<u>Long Service</u>
	<u>Health care</u>	<u>Pensioners</u>	<u>Awards</u>
<u>30 June 2008</u>	<u>Benefits</u>		
Balance at beginning of year	56 576 956	1 030 000	3 935 469
Contribution to provisions			
Interest Cost	4 888 249	88 973	314 838
Service cost & transitional liability	1 017 594		359 437
Benefit payments (Expenditure incurred)	(1 828 463)	(109 015)	(676 610)
Actuarial loss / (gain)	2 303 933	(6 497)	413 509
Transfer to current provision	(2 346 836)	(120 641)	(777 808)
Balance at end of year	60 611 433	882 820	3 568 835

OTHER DEFINED BENEFIT PLAN INFORMATION

6.1 POST EMPLOYMENT HEALTH CARE BENEFITS

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:	2009	2008
- In-service members	471	400
- Continuation members	93	95
Total	564	495

The liability in respect of past service has been estimated to be as follows:

	R	R
- In-service members	31 650 601	31 929 042
- Continuation members	30 503 258	31 029 227
	<u>62 153 859</u>	<u>62,958,269</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Global Health;
- Hosmed;
- LA Health;
- Munimed;
- Samwumed.

The future service cost for the ensuing year is established to be R4 042 131 whereas the interest-cost for the next year is estimated to be R5 588 328.

Key actuarial assumptions used:

i) Rate of interest		
Discount Rate	9.13%	10.69%
Health Care Cost Inflation Rate	7.80%	9.69%
Net Effective Discount Rate	1.24%	0.91%

ii) Mortality rates

The PA 90-1 ultimate Mortality table was used by the actuaries for post-retirement and the SA 85-90 Mortality table was used for current employment.

iii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iv) Other assumptions

It is assumed that 95% of the members will continue with their membership at retirement.
It is also assumed that 95% of members will be married at retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	62 153 859	62 958 269
Fair value of plan assets	-	-
	62 153 859	62 958 269
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	62 153 859	62 958 269
Net liability	62 153 859	62 958 269

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 126 375	1 017 594
Interest cost	6 625 759	4 888 249
Actuarial losses/ (gains)	(6 553 051)	2 303 933
Vested past service cost		
Total included in employee related costs (Note 28)	1 199 083	8 209 776

Sensitivity Analysis:**Effect on the defined benefit obligation:**

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		62.154	
Health Care inflation	+1%	72.638	17%
Health Care inflation	-1%	53.705	-14%
Post-retirement mortality	-1 yrs	64.201	3%
Average retirement age	-1 yrs	64.815	4%
Withdrawal rate	-50%	65.773	6%

History of Liabilities, Assets and Experience Adjustments**i) Present value of accrued liability and Fair value of plan assets**

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R56 577 million.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	2008	R
Plan liabilities (Gain) / Loss	(3 187 769)	-
Plan assets		

6.2 EX GRATIA PENSIONERS

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2009, 14 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R75 534. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:**i) Rate of interest**

	2009	2008
Discount Rate	8.44%	8.64%
Pension increase rate	2.78%	1.89%
Post retirement discount rate	5.51%	4.25%

ii) Mortality rates

The PA(90)-1 mortality table was used by the actuaries.

The amounts recognised in the Statement of Financial Position are as follows:

	2009	2008
	R	R
Present value of fund obligations	899 085	1 003 461
Fair value of plan assets	-	-
Unrecognised past service cost	899 085	1 003 461
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	899 085	1 003 461
Net liability	<u>899 085</u>	<u>1 003 461</u>

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	81 893	88 973
Actuarial losses/ (gains)	(72 663)	(6 497)
Vested past service cost	-	-
Total included in employee related costs (Note 28)	<u>9 230</u>	<u>82 476</u>

History of Liabilities, Assets and Experience Adjustments**i) Present value of accrued liability and Fair value of plan assets**

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R1 030 000.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	2008	R
Plan liabilities (Gain) / Loss	11 793	-
Plan assets		

6.3 LONG SERVICE AWARDS

The Long Service Awards plan is a defined benefit plan. As at 30 June 2009, 815 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R784 081, whereas the interest-cost for the next year is estimated to be R509 949.

Key actuarial assumptions used:

	2009	2008
Discount rate	9.08%	8.00%
Salary Inflation Rate	6.61%	6.00%
Net Effective Discount Rate	2.32%	1.89%

The amounts recognised in the Statement of Financial Position are as follows:

	2009	2008
	R	R
Present value of fund obligations	5 969 984	4 346 643
Fair value of plan assets	-	-
Unrecognised past service cost	5 969 984	4 346 643
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	5 969 984	4 346 643
Net liability	5 969 984	4 346 643

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	1 126 375	359 437
Interest cost	6 625 759	314 838
Actuarial losses/ (gains)	(6 545 026)	413 509
Vested past service cost	-	-
Total included in employee related costs (Note 28)	1 207 108	1 087 784

Sensitivity Analysis:

Effect on the defined benefit obligation:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		5 970	
General salary inflation	+1%	6 317	6%
General salary inflation	-1%	5 652	-5%
Average retirement age	-2 yrs	5 375	-10%
Average retirement age	+2 yrs	6 507	9%
Withdrawal rates	-50%	6 875	15%

Effect on the aggregate of the current service cost & Interest Cost :

Assumptions	Change	Liability	% Change
Central assumptions		735 924	
General salary inflation	+1%	795 725	8%
General salary inflation	-1%	682 412	-7%
Average retirement age	+2 yrs	779 689	6%
Average retirement age	-2 yrs	662 831	-10%
Withdrawal rates	-50%	912 704	24%

History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R3 935 469.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	2008
	R
Plan liabilities (Gain) / Loss	1 848 024
Plan assets	-

6.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of the Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund and Cape Joint Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,73 (R200,21) million with a funding level of 106,5% (107,2%), and is in a sound financial state as at 30 June 2008.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9.0%) and Council (18.0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R42,93 (R105,05) million with a funding level of 112.2% (137.4%). Certified in a sound financial position as at 30 June 2008.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

7. NON-CURRENT DEPOSITS

	2009	2008
	R	R
Santos Pavilion Repair Fund		
Balance at beginning of year	185 909	331 444
Contributions during the year	-	-
Interest on Investment	16 380	17 316
Expenditure during the year	-	(162 851)
	<hr/> 202 289	<hr/> 185 909

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to the council as an investment. Interest earned may be used by Council for the maintenance of the building should he fail to do it himself.

8. CONSUMER DEPOSITS

Consumer Deposits:	9 468 865	8 164 883
Electricity	5 030 679	3 993 371
Water	4 438 186	4 171 512
Less: Unamortised Discount	6 719 012	5 779 676
Balance of unamortised discount on consumer deposits	6 719 012	5 779 676
Total consumer deposits	2 749 853	2 385 207
Guarantees held in lieu of electricity deposits	10 000	10 000

Guarantees held in lieu of electricity were R10 000 for 2009 (R10 000 for 2008) which is included in the total consumer deposits of R9 468 865 in 2009 (R8 164 883 in 2008). No interest accrues on consumer deposits.

Refer to Notes 36.13 for detail regarding the restatement of previous year balances.

9. PROVISIONS (CURRENT PORTION)

Rehabilitation of Landfill sites	75 000	-
Clearing of Alien Vegetation	1 865 000	50 000
Illegal Dumping	-	25 000
Total Provisions	1 940 000	75 000

The movement in current provisions are reconciled as follows:

Rehabilitation of Landfill sites			
Balance at beginning of year		-	-
Transfer from non-current			
Contributions to provisions		75 000	
Expenditure incurred		-	
Balance at end of year		75 000	-

Clearing of Alien Vegetation		
Balance at beginning of year	50 000	1 126 800
Transfer from non-current		
Contributions to provisions	1 864 875	39 020
Expenditure incurred	(49 875)	(1 115 820)
Balance at end of year	1 865 000	50 000

	2009 R	2008 R
Balance at beginning of year	25 000	245 000
Transfer from non-current	-	19 445
Contributions to provisions	(25 000)	(239 445)
Expenditure incurred	-	25 000
Balance at end of year	25 000	25 000

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 5)

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 5)

Illegal Dumping:

Provision has been made to clean-up for Illegal Dumping costs for unlawful environmental damage. No provision is made in the 2008/09 financial year, seeing as the backlogs for clean-up of Illegal Dumping has been cleared and the clean-up of Illegal Dumping is now funded out of the operational budget of the municipality as normal maintenance.

Refer to Notes 37.6 for detail regarding the restatement of previous year balances.

10. TRADE AND OTHER PAYABLES

Trade payables	20 572 228	6 109 979
Payments received in advance	7 890 597	8 500 336
Accrued Expenditure	2 963 283	2 434 053
Performance Bonus accrual	910 435	657 393
Retention	7 740 812	5 578 264
Staff leave accrual	6 883 331	5 543 275
Other payables	850 004	507 096
Other deposits	5 231 669	4 604 256
Total Trade and other Payables	53 042 359	33 934 651

The fair value of trade and other payables approximates their carrying amounts.

Trade and other payables are normally settled on 30 day terms in accordance with the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice.

Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Performance Bonuses:

Performance bonuses accrue to employees on a annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

Refer to Notes 36.1 - 36.4, 36.6 and 37.6 for detail regarding the restatement of previous year balances.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<u>11.1 Conditional grants from spheres of government</u>	14 255 435	2 883 139
Provincial Grants (Note 25)	6 842 836	1 255 779
National Grants (Note 25)	6 811 677	243 674
Other Government Grants (Note 25)	600 922	1 383 686
<u>11.2 Other conditional receipts</u>	65 885	32 351
District Municipality	-	-
Developers contributions	-	-
Public contributions (Note 27)	65 885	32 351
Total conditional grants and receipts	14 321 321	2 915 491

These amounts are invested in a ring-fenced investment until utilised in terms of section 12 of the MFMA.

Refer to Note 25 for reconciliation of Government Grants & Subsidies and Note 27 for reconciliation of Public Contributions.

Also refer to Appendix F for further detail.

12. TAXES

Opening Balance	3 436 067	2 986 235
VAT Payable (output)	(35 848 713)	(35 111 208)
VAT Receivable (Input)	35 173 200	28 476 390
Paid to SARS	(433 769)	7 084 649
Total Net VAT Payable	2 326 786	3 436 067

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

13. PROPERTY, PLANT & EQUIPMENT

As at 30 June 2008

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land	300 693 163	-	300 693 163
Buildings	120 611 175	25 322 149	95 289 026
Infrastructure	447 443 666	145 961 449	301 482 217
Community	70 070 051	12 559 039	57 511 012
Other	44 734 104	17 186 800	27 547 304
Total	983 552 158	201 029 438	782 522 720

As at 30 June 2009

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land	300 693 163	-	300 693 163
Buildings	124 447 208	29 397 794	95 049 414
Infrastructure	534 332 806	155 755 265	378 577 541
Community	70 983 068	15 118 128	55 864 939
Other	51 334 567	21 780 318	29 554 248
Total	1081 790 811	222 051 506	859 739 305

Refer to Appendix B, C and B(1) for more detail.

Refer to Notes 36.4, 36.7 - 36.9 and 36.11 for detail regarding the restatement of previous year balance.

PROPERTY, PLANT AND EQUIPMENT										
30 June 2009										
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment property	Total
	R	R	R	R	R	R	R	R		R
Carrying values at 1 July 2008	395 982 189	245 621 953	57 511 011	-	24 818 517	-	2 728 792	596 452	503 217 648	1230 476 562
Cost	302 747 878	391 583 403	70 070 050	-	39 959 136	-	4 774 967	1 171 103	516 910 453	1327 216 991
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	25 322 148	145 961 450	12 559 039	-	15 140 619	-	2 046 175	574 651	2 518 305	204 122 388
-cost/Impairment loss	24 739 998	137 354 576	12 559 039	-	15 438 465	-	2 046 175	574 651	2 270 005	194 982 910
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478
Acquisitions	3 915 698	46 160 125	913 017		7 085 338		1 838 944	-	-	59 913 121
Adjustment during the year	-	96 589 278	-	-	-	-	-	-	-	96 589 278
Capital under construction										
Increases/decreases in revaluation	4 094 455	9 793 816	2 559 089	-	5 230 795	-	1 235 588	154 471	-	23 068 214
Depreciation	4 136 085	9 793 816	2 559 089		5 472 191		1 235 588	170 036	-	23 366 804
-based on cost	(41 631)				(241 395)		-	(15 564)	-	(298 590)
Carrying value of disposals	60 856	-	-	-	450 953	-	1	-	60 000	571 810
Cost/revaluation	79 665	-	-	-	1 312 775	-	1 011 044	-	60 000	2 463 484
Accumulated depreciation	18 810	-	-	-	861 822	-	1 011 043	-	-	1 891 674
Impairment losses										
Other movements										
Carrying values at 30 June 2009	395 742 577	378 577 540	55 864 939	-	26 222 106	-	3 332 148	441 981	503 157 648	1363 338 938
Cost	306 583 911	534 332 806	70 983 067	-	45 731 699	-	5 602 867	1 171 103	516 850 453	1481 255 906
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	29 397 793	155 755 266	15 118 128	-	19 509 593	-	2 270 720	729 122	2 518 305	225 298 927
-cost	28 815 643	147 148 392	15 118 128	-	19 807 439	-	2 270 720	729 122	2 270 005	216 159 450
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478

PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment Property	Total
	R	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2007	405 754 277	224 708 506	58 978 803	-	55 282 684	-	2 052 912	3 444 064	503 186 275	1253 407 521
Cost	308 441 370	363 091 032	69 046 626	-	83 342 437	-	3 216 310	6 716 347	516 879 080	1350 733 202
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	21 243 552	138 382 526	10 067 823	-	28 059 753	-	1 163 398	3 272 283	2 518 305	204 707 640
-cost/Impairment loss	20 952 876	117 810 458	10 067 823	-	28 130 112	-	1 163 398	3 272 283	2 270 005	183 666 956
-Correction of error	290 676	20 572 067	-		(70 359)		-	-	248 300	21 040 684
Acquisitions	5 094 726	45 057 251	1 023 425	-	4 960 764	-	1 641 900	-	31 373	57 809 440
Adjustment during the year	-	39 310 883	-		(16 063 574)	-	-	-	-	23 247 309
Capital under construction	-	-	-		-	-	-	-	-	-
Increases/decreases in revaluation	4 078 596	7 578 925	2 491 216	-	7 332 893	-	916 074	569 523	-	22 967 227
Depreciation	3 787 122	19 544 118	2 491 216	-	7 560 380	-	916 074	569 523	-	34 868 433
-based on cost	291 474	(11 965 193)	-	-	(227 487)	-	-	-	-	(11 901 206)
Carrying value of disposals	10 788 217	-	-	-	12 028 218	-	49 945	2 278 088	-	25 144 468
Cost/revaluation	10 788 217	-	-	-	32 280 244	-	83 242	5 545 243	-	48 696 946
Accumulated depreciation	-	-	-	-	20 252 027	-	33 297	3 267 155	-	23 552 479
Impairment losses	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2008	395 982 190	301 497 716	57 511 012	-	24 818 763	-	2 728 793	596 453	503 217 648	1286 352 575
Cost	302 747 879	447 459 166	70 070 051	-	39 959 383	-	4 774 968	1 171 104	516 910 453	1383 093 004
Adjustments/Correction of error	118 556 459	-	-		-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	25 322 148	145 961 450	12 559 039	-	15 140 619	-	2 046 175	574 651	2 518 305	204 122 388
-cost	24 739 998	137 354 576	12 559 039	-	15 438 465	-	2 046 175	574 651	2 270 005	194 982 910
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:

Other assets	-241,395
Leased assets	-
Intangible assets	-15,564
Buildings	-41,631
	<u><u>-298,590</u></u>

Other assets were identified which were fully depreciated in years prior to 2008/2009. These assets current carrying value in the asset register appear as R0, however the following information is available:

Cost:	Residual values:
Other assets:	6,548,995
Buildings:	902,374
	2,350,602

14. INTANGIBLE ASSETS

	2009 R	2008 R
Carrying values at the beginning of the year		
Cost	596 452	3 444 063
Accumulated amortisation	1 171 104	6 716 347
	(574 652)	(3 272 284)
Acquisitions	-	
Disposals	(554 243)	
Amortisation	(154 471)	(569 523)
Amortisation written back on disposals	3 267 155	
Carrying values at the end of the year	441 980	596 452
Cost	1 171 104	1 171 104
Accumulated amortisation	(729 124)	(574 652)

The municipality does not have any internally generated intangible assets.

15. INVESTMENT PROPERTY

	2009 R	2008 R
Carrying values at the beginning of the year		
Cost	503 217 653	503 186 280
Acquisitions	-	31 373
Disposals	-60,000	-
Carrying values at the end of the year	503 157 653	503 217 653
Cost	503 157 653	503 217 653

Investment property is property held to earn rentals or for capital appreciation or both, such as Land held for long-term capital appreciation or Vacant land held for undecided future use.

Revenue earned from Investment Property is disclosed in the Statement of Financial Performance. The Investment Property is carried at fair value.

Refer to Note 36.10 for detail regarding the restatement of previous year balance.

16. LONG-TERM RECEIVABLES

	2009 R	2008 R
Long-term receivables:		
Car Loans	46 643	92 778
Study Loans	107 150	172 805
Land Sales Debtors	34 707	43 867
Public Assistance Loans	424 546	474 265
Housing Selling Scheme Loans	3 359 628	4 246 356
Less: Current portion transferred to current receivables	523 929	1 306 304
Car Loans	46 643	45 897
Land Sales Debtors	642	2 754
Public Assistance Loans	175 226	161 493
Housing Selling Scheme Loans	301 418	1 096 160
Less: Provision for Impairment of long-term receivables	2 227 709	2 163 910
Housing Selling Scheme Loans	2 227 709	2 163 910
Total	<u>1 221 037</u>	<u>1 559 858</u>

Reconciliation of Impairment of Long-term receivables

Balance at beginning of year	2 163 910	3 163 811
Contribution to / (Reversal from) provision	862 683	(233 229)
Bad Debts written off / recovered	(798 885)	(766 672)
Balance at end of year	<u>2 227 708</u>	<u>2 163 910</u>

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and A payment % of 34.6 % was established and a provision for impairment was made for 65%.

No provision for impairment to be recognised for car, study and public assistance loans.

Loans to Employees (Car, Study and Computer loans)

Staff were entitled to various loans e.g. car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans are repayable by May 2010.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

17. INVENTORY

	2009	2008
	R	R
Consumable stores - at cost	348 945	632 496
Maintenance materials - at cost	4 324 194	4 527 486
Meters	210 363	133 180
Spare parts - at unauthorised value	5 240	5 518
Purification Materials	312 581	501 949
Unsold properties held for resale - at unauthorised value	5 830 286	5 980 842
Water purification	175 118	122 138
Total inventory	11 206 726	11 903 609

Inventory 2008/2009 = R5 376 441 (R5 922 767 in 2007/2008). Unsold properties held for sale transferred to inventory in 2008/09 = R 5 830 286 (R5 980 842 in 2007/2008). Total inventory = R11 206 726

Inventory to the value of R34 881,87 (R NIL in 2007/08) was written off during this financial year.

18. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2009

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	44 039 814	14 357 924	29 681 891
Electricity	10 825 997	587 622	10 238 375
Water	12 707 177	5 101 255	7 605 921
Refuse	5 036 484	2 036 578	2 999 907
Sewerage	15 470 157	6 632 469	8 837 688
DebtPack Collections	803 816	798 342	5 474
Land Sales	45 478	39 099	6 379
Housing Instalments	1 169 397	609 941	559 456
Housing rentals	296 421	50 324	246 097
Other	982 865	716 829	266 036
Total	47 337 792	16 572 459	30 765 334

As at 30 June 2008

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	45 418 774	20 208 461	25 210 313
Electricity	8 661 808	568 985	8 092 823
Water	14 006 043	7 544 538	6 461 505
Refuse	6 210 721	3 614 538	2 596 184
Sewerage	16 540 202	8 480 401	8 059 800
DebtPack Collections	989 638	980 660	8 978
Land Sales	85 321	77 864	7 456
Housing Instalments	1 285 582	791 684	493 898
Housing rentals	308 552	40 057	268 495
Other	1 061 873	593 870	468 003
Total	49 149 740	22 692 597	26 457 143

Refer to Note 36.12 and 37.4 for detail regarding the restatement of previous year balance.

Electricity, Water, Refuse and Sewerage): Ageing

	2009	2008
	R	R
Current (0 -30 days)	18 133 462	15 184 070
31 - 60 Days	1 594 773	1 625 430
61 - 90 Days	1 338 311	1 104 929
91 - 120 Days	1 239 237	1 025 638
121- 365 Days	9 573 885	10 079 670
> 365 Days	12 160 148	16 399 038
Total	44 039 814	45 418 774

Service debtors receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R17 653 410 (2008 = R14 507 782) and for more than 30 days is R12 028 481 (2008 = R10 702 531).

DebtPack Collections

Current (0 -30 days)	3 596	232
31 - 60 Days	1 878	-
61 - 90 Days	376	2
91 - 120 Days	4 187	-
121- 365 Days	351 634	382 523
> 365 Days	442 145	606 881
Total	803 816	989 638

DebtPack collection receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R3 596 (2008 = R232) and for more than 30 days is R1 878 (2008 = R8 745).

Housing Instalments

Current (0 -30 days)	25 917	20 502
31 - 60 Days	10 383	11 610
61 - 90 Days	9 236	7 207
91 - 120 Days	8 680	6 724
121- 365 Days	93 608	160 184
> 365 Days	1 021 574	1 079 355
Total	1 169 397	1 285 582

Housing instalments receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R25 917 (2008 = R533 539) and for more than 30 days is R20 502 (2008 = R473 396).

	2009 R	2008 R
Housing rentals: Ageing		
Current (0 -30 days)	7 194	6 348
31 - 60 Days	2 859	2 574
61 - 90 Days	2 553	2 299
91 - 120 Days	2 375	2 248
121- 365 Days	82 707	98 679
> 365 Days	198 733	196 404
Total	<u>296 421</u>	<u>308 552</u>

Housing rentals receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R7 194 (2008 = R238 903) and for more than 30 days is R6 348 (2008 = R262 147).

	2009	2008
Other		
Current (0 -30 days)	234 267	387 090
31 - 60 Days	31 770	41 509
61 - 90 Days	33 392	39 405
91 - 120 Days	30 415	17 135
121- 365 Days	263 652	145 472
> 365 Days	389 370	431 263
Total	<u>982 865</u>	<u>1 061 873</u>

Other receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R234 267 (2008 = R387 090) and for more than 30 days is R31 770 (2008 = R80 913).

	2009	2008
Land Sales		
Current (0 -30 days)	1 126	1 317
31 - 60 Days	427	538
61 - 90 Days	367	538
91 - 120 Days	339	538
121- 365 Days	2 162	4 265
> 365 Days	41 056	78 125
Total	<u>45 478</u>	<u>85 321</u>

Land sales receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R1 126 (2008 = R1 317) and for more than 30 days is R5 253 (2008 = R6 139).

	2009	2008
Reconciliation of Provision for impairment of trade receivables		
Balance at beginning of year	22 692 597	38 542 629
Contribution to / (Reversal from) provision	7 562 411	2 050 594
Bad Debts written off / recovered	(13 682 549)	(17 900 626)
Balance at end of year	<u>16 572 459</u>	<u>22 692 597</u>

	2009	2008
Summary of Trade receivables by Consumer Classification		
Residential	36 620 111	38 566 141
Industrial / Commercial	6 646 334	5 683 377
National / Provincial government	1 181 671	811 873
Payments received in Advance	2 889 677	4 088 349
	<u>47 337 792</u>	<u>49 149 740</u>

19. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2009	2008
Other Receivables from Non-Exchange transactions:		
Rates	32 007 241	26 882 794
Accrued Income	6 497 162	6 110 068
Unauthorised expenditure (see Note 41.1)	12 952 311	10 514 929
Fruitless & wasteful expenditure (see Note 41.2)	-	-
Government subsidies	-	724 894
Other	12 557 767	9 532 904
Recoverable Expenditure	-	-
Less: Provision for impairment of other receivables	<u>7 479 964</u>	<u>4 176 100</u>
Rates	1 193 471	1 576 570
Other : Operating Balance PAWC (Housing Administration)	6 286 492	2 599 530
Total	<u>24 527 278</u>	<u>22 706 694</u>

	2009	2008
Rates: Ageing		
Current (0 -30 days)	2 999 122	2 700 420
31 - 60 Days	305 203	184 851
61 - 90 Days	282 009	152 456
91 - 120 Days	223 999	201 138
121- 365 Days	1 738 624	1 579 072
> 365 Days	948 205	1 292 131
Total	<u>6 497 162</u>	<u>6 110 068</u>

Rates receivables that are past due as at the end of the reporting period but not impaired, for less than 30 days is R2 922 644 (2008 = R2 693 128) and for more than 30 days is R2 381 047 (2008 = R1 840 370).

	2009	2008
Reconciliation of Provision for impairment of other receivables		
Balance at beginning of year	4 176 100	2 232 059
Contribution to / (Reversal from) provision	3 521 878	2 626 821
Bad Debts written off / recovered	(218 014)	(682 780)
Balance at end of year	<u>7 479 964</u>	<u>4 176 100</u>

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for impairment. However the "Other Debtors" are individually assessed.

A provision was made for the non-payment of the Operating Balance for Housing costs of 100%.

Refer to Notes 36.3, 36.4, 36.12 & 37.4 for detail regarding the restatement of previous year balance.

20. INVESTMENTS

Short-term Investment deposits
Less: Current portion maturing within next 12 months - refer note 21

	2009	2008
	R	R
203 000 000	203 000 000	196 000 000
203 000 000	203 000 000	196 000 000
	-	-
	-	-

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with an A1 and higher rating be used
 - long-term investments (more than 12 months) only institutions with AA or AAA or higher rating be used
- Not more than 50% of the total investments invested with one institution

No investments were written off during the year.

21. CASH AND CASH EQUIVALENTS

Assets

Petty Cash	13 980	10 980
Bank balances	-	7 544 895
Short-term Investment deposits	203 000 000	196 000 000
Total cash and cash equivalents - Assets	203 013 980	203 555 875

Liabilities

Bank overdraft	(1 098 895)	-
Total cash and cash equivalents - Liabilities	(1 098 895)	-

The municipality has the following bank accounts:

BANK ACCOUNT	Account Numbers		
Primary Bank Account - NEDBANK DEPOSIT ACCOUNT	1626566909	21 508 524	17 488 029
Secondary Bank Account - NEDBANK CHEQUE ACCOUNT	1626566917	-	-
	21 508 524	17 488 029	17 488 029

Bank statement balance at beginning of year	17 488 029	6 429 481
Bank statement balance at end of year	21 508 524	17 488 029

Cash book balance at beginning of year	7 529 466	(21 126 209)
Cash book balance at end of year	(1 098 895)	7 529 466

Petty Cash / Float at beginning of year	10 980	9 380
Petty Cash / Float at end of year	13 980	10 980

Mossel Bay Sport Trust:	15 429	-
Cash book balance at beginning of year	-	15 429
Cash book balance at end of year	-	15 429

INVESTMENTS: Current portion matures within next 12 months - Refer Note 20

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909.

Refer to Note 37.3 for detail regarding the restatement of previous year balance.

22. OPERATING LEASES

The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to five years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

Balance at beginning of year	19,654	-
Movement for the year	59,531	19,654
Total Operating Lease Liabilities - as lessee	79 185	19 654

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings	903,308	490 507
Up to 1 year	765,975	1 109 395
1 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease arrangements - as lessee	1 669 283	1 599 902

The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to five years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

	2009 R	2008 R
Balance at beginning of year	101,663	79,693
Movement for the year	5,444	21,990
Total Operating Lease Assets - as lessor	107 108	101 663

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income	500,773	374,748
Total Operating Lease income - as lessor	500 773	374 748

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Investment Property		
Up to 1 year	467,656	500,773
1 to 5 years	983,678	1,272,092
More than 5 years	844,157	1,023,399
Total Operating Lease arrangements - as lessor	2 295 491	2 796 263

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Refer to Note 36.15 and 36.16 for detail regarding the restatement of previous year balance.

23. PROPERTY RATES**Actual**

Residential	36 127 656	31 882 775
Commercial	7 836 509	8 320 390
State	1 062 401	786 910
Building Clause	8 727	32 962
Assessment Rate: Letting	1 466	1 602
Assessment Rate: State Building Kwa Nonqaba	113 217	100 776
Agricultural	562 481	420 179
Less: Income forgone	(1 570 135)	(2 332 172)
Total assessment rates	44 142 322	39 213 422

Valuations

	July 2009	July 2008
Residential	23 462 471 490	5 773 487 700
Commercial	2 306 506 800	1 129 731 000
State	348 149 600	104 058 600
Municipal	643 106 410	299 050 210
Building Clause	6 369 440	6 849 440
Assessment Rate: Letting	-	-
Assessment Rate: State Building Kwa Nonqaba	3 286 500	12 135 800
Agricultural	1 332 603 500	319 400 300
Total property valuations	28 102 493 740	7 644 713 050

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The Mossel Bay area, including the rural farms, were revalued with starting date 2 July 2007, whilst the valuation became effective from 1 July 2008. The basic rate which was applicable for the 2008/09 financial year in the various areas ranged between R0,000453 and R0,004156 on Land and R0,004530 and R0,004156 on Buildings respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R2 500 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation.

Refer to Note 37.2 for detail regarding the restatement of previous year balance.

24. SERVICE CHARGES

	2009 R	2008 R
Sale of electricity	134 825 295	109 068 453
Sale of water	54 145 094	47 481 540
Refuse removal	23 867 455	21 027 679
Sewerage & sanitation charges	42 050 909	36 979 353
Total service charges	254 888 753	214 557 025

Refer to Note 37.2 for detail regarding the restatement of previous year balance.

25. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	23 589 736	17 056 215
National Government Grants	25 452 998	11 487 316
Provincial Government Grants	14 394 022	10 925 968
Main Road Subsidy - Provincial	810 860	724 894
Other Grants	6 733 648	6 883 260
Total Government Grant & Subsidies	70 981 263	47 077 652

25.1	<u>Equitable Share</u>	These grants are used to subsidise the provision of basic services to indigent communities.	
25.2	<u>National Government Grants</u>		
	Balance unspent at beginning of year	2009	2008
	Current year receipts	R	R
	Adjustments		
	Conditions met - transferred to revenue	243 674	9 807 777
	Conditions still to be met - transferred to liabilities (see note 11)	32 021 001	1 923 213
		(25 452 998)	(11 487 316)
		<u>6 811 677</u>	<u>243 674</u>
25.3	<u>Provincial Government Grants</u>	Mossel Bay Municipality received various grants from National Government for capital projects, such as a New Reservoir in Herbertsdale and Flood Damage funds. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.	
	Balance unspent at beginning of year	1 255 779	476 307
	Current year receipts	20 520 621	11 705 440
	Adjustments	539 542	-
	Conditions met - transferred to revenue	(14 394 022)	(10 925 968)
	Conditions still to be met - transferred to liabilities (see note 11)	<u>7 921 920</u>	<u>1 255 779</u>
25.4	<u>Main Roads Subsidy</u>	Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Housing Topstructures and Newsletter subsidies. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.	
	Balance unspent at beginning of year	-	-
	Current year receipts	810 860	724 894
	Conditions met - transferred to revenue	(810 860)	(724 894)
	Conditions still to be met - transferred to liabilities (see note 11)	<u>-</u>	<u>-</u>
25.5	<u>Other Grants</u>	Mossel Bay Municipality received funds from Provincial Government for the maintenance of Proclaimed Roads. All funds were spent during the year.	
	Balance unspent at beginning of year	1 383 686	1 556 159
	Current year receipts	5 950 884	6 710 786
	Adjustments	-	-
	Conditions met - transferred to revenue	(6 733 648)	(6 883 260)
	Conditions still to be met - transferred to liabilities (see note 11)	<u>600 922</u>	<u>1 383 686</u>
26.	OTHER INCOME	The Municipality received various other grants from PAWC for operational projects, such as MSIG, FMG and LGSETA funds. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.	
	Building Plan Fees	2 478 354	5 488 170
	Camping Fees	4 216 471	3 266 917
	Rental Chalets	2 248 209	2 033 996
	Availability Fees (Services)	12 332 859	11 062 880
	Land Usage Fees	427 466	579 990
	Contributions from External Services	2 131 869	9 708 009
	Contributions from Land Sales	80 940	193 580
	Insurance Claims	772 247	555 071
	Collection costs recovered	1 425 759	1 649 297
	Other	4 077 853	4 485 064
	Total other income	<u>30 192 026</u>	<u>39 022 976</u>
	Refer to Note 36.13 for detail regarding the restatement of previous year balance.		
27.	PUBLIC CONTRIBUTIONS		
	District Municipality	-	5 075 670
	Developers Contributions	-	104 034
	Public Contributions	267 701	1 160 379
	Connection Fees	2 306 812	4 255 442
	Other	-	-
	Total public contributions	<u>2 574 513</u>	<u>10 595 524</u>
27.1	<u>District Municipality</u>		
	Balance unspent at beginning of year	-	3 821
	Current year receipts	-	5 071 849
	Adjustments	-	-
	Conditions met - transferred to revenue	-	(5 075 670)
	Conditions still to be met - transferred to liabilities (see note 11)	<u>-</u>	<u>-</u>
27.2	<u>Developers Contributions</u>		
	Balance unspent at beginning of year	(0)	201 195
	Current year receipts	-	-
	Adjustments	-	(97 161)
	Conditions met - transferred to revenue	-	(104 034)
	Conditions still to be met - transferred to liabilities (see note 11)	<u>(0)</u>	<u>(0)</u>

27.3	Public Contributions	2009	2008
		R	R
	Balance unspent at beginning of year	32 351	5 825
	Current year receipts	311 260	1 192 832
	Adjustments	(10 024)	(5 928)
	Conditions met - transferred to revenue	(267 701)	(1 160 379)
	Conditions still to be met - transferred to liabilities (see note 11)	65 885	32 351

The Municipality receives contributions from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the contributions have been met. No funds have been withheld.

28. EMPLOYEE RELATED COSTS

Employee-related costs - Salaries, Wages & Bonuses	76 498 639	62 512 708
Employee-related costs - Contributions for UIF, pensions & medical aids	18 246 160	14 073 789
Contributions to Post Retirement Benefits Provision	7 834 027	5 994 816
Contributions to Long Service Bonus Provision	735 923	674 275
Contributions to Leave Gratuity Provision	1 817 993	1 595 946
Travel, motor car, accommodation, subsistence & other allowances	7 704 546	6 084 995
Housing benefits & allowances	1 116 483	865 511
Overtime payments	7 211 426	5 766 482
Executive packages	6 730 580	4 158 422
Less: Employee costs capitalised and to other operating maintenance	(255 546)	(145 529)
Total employee-related costs	127 640 232	101 581 414

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

Remuneration of the Municipal Manager

Annual remuneration	1 967 787	575 587
Performance bonuses	11 200	118 933
Car allowance	11 000	120 000
Administration	-	
Telephone	-	
Contributions to UIF, Medical & Pension Funds	166 498	97 260
Group Insurance	-	-
Industrial Council	41	38
Total	2 156 526	911 818

The annual remuneration of the Municipal Manager includes a monetary consideration payment to the previous Municipal Manager in accordance with a mutual agreement. The Municipal Manager resigned during the month of June 2008.

Remuneration of the Chief Financial Officer

Annual remuneration	500 115	397 296
Performance bonuses	112 000	96 142
Car allowance	96 000	96 000
Contributions to UIF, Medical & Pension Funds	153 114	140 988
Group Insurance	6 624	6 624
Industrial Council	41	38
Total	867 894	737 089

Remuneration of individual executive directors	Technical Services	Electro-Technical Services	Town Planning & Build control	Corporate Services	Community Services
30 June 2009					
Annual remuneration	447 456	492 278	417 314	457 014	489 266
Performance bonuses	97 180	105 000	61 740	97 180	97 180
Acting allowance	-	-	-	-	-
Car allowance	114 980	102 000	-	120 000	108 000
Administration	-	-	-	-	-
Telephone	-	-	-	-	-
Contributions to UIF, Medical & Pension Funds	119 745	123 498	23 661	111 643	90 214
Group Insurance	11 923	6 624	-	5 447	6 624
Industrial Council	41	41	24	41	41
Total	791 326	829 441	502 740	791 326	791 326

Remuneration of individual executive directors	Technical Services	Electro-Technical Services	Town Planning & Build control	Corporate Services	Community Services
30 June 2008					
Annual remuneration	101 305	416 696	-	339 333	328 592
Performance bonuses	96 142	96 142	-	96 142	96 142
Acting allowance	170 058	-	-	32 047	-
Car allowance	-	102 000	-	100 000	108 000
Administration	-	-	-	-	79 985
Telephone	-	-	-	-	36 000
Contributions to UIF, Medical & Pension Funds	5 513	115 589	-	90 219	81 707
Group Insurance	-	6 624	-	4 539	6 624
Industrial Council	6	38	-	32	38
Total	373 024	737 089	-	662 312	737 089

29. REMUNERATION OF COUNCILLORS

	2009	2008
	R	R
Executive Mayor	464 955	403 435
Executive Deputy Mayor	375 160	372 584
Speaker	356 782	304 531
Mayoral Committee members	1 058 133	918 529
Councillors	2 589 458	2 298 039
Councillors' pension contributions	518 291	515 467
Councillors' medical contributions	50 285	66 198
Travel Cost in Excess of 500km	14 016	17 471
Total Councillors' remuneration	5 427 079	4 896 255

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cellphones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

30. IMPAIRMENT COSTS

Contribution to Provision for Impairment	12 332 565	4 990 188
Bad Debts : Services	-	1 498 543
	12 332 565	6 488 731

Refer to Notes 36.12 for detail regarding the restatement of previous year balance.

31. INTEREST PAID

Long-term Liabilities	770 555	636 560
Current Deposit	16 380	17 316
Total interest	786 935	653 875

32. BULK PURCHASES

Electricity	85 985 503	50 793 081
Water	6 803 499	6 363 950
Total bulk purchases	92 789 002	57 157 031

33. GRANTS AND SUBSIDIES PAID

Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	2 340 682	2 098 524
Subsidy: Benefit Discount Scheme	383 832	463 072
SPCA	275 733	297 049
Hessequa Municipality	10 000	20 000
Other Donations	-	80 000
Total grants & subsidies	3 010 247	2 958 645

Other Donations:

During 2008/09 no Other Donations were made, whereas an amount of R80 000 was donated during 2007/08. Other Donations for 2007/08 consists of contributions to Mossel Bay Tourism to the amount of R20000 and a contribution to Mossel Bay Business Chambers of R60000.

34. GENERAL EXPENSES

	2009 R	2008 R
Audit Fees - External Auditors	1 824 286	909 807
Bank Charges	1 682 666	1 474 335
Conferences & Seminars	38 455	36 216
Consultant Fees	1 318 943	825 731
Contract Work	3 456 564	3 301 385
Contributions to Alien Vegetation Provision	4 100 000	39 020
Contributions to Illegal Dumping Provision	-	19 445
Contributions to Rehabilitation of Landfill sites Provision	621 000	-
Entertainment - Public	12 910	10 510
Fuel & Oil	4 395 680	3 880 469
Hire Charges	51 363	95 470
Housing: Top Structures	12 783 900	7 586 284
Industrial & Tourism - Sect. 21 Co	2 348 742	2 184 687
Insurance	2 014 954	2 349 338
Inventory Items	248 078	2 041 561
Houses for resale-Written off	150 557	4 313 585
Lease Charges	857 189	720 781
Legal Costs	876 986	455 299
Levy - Bargaining Council	32 483	27 245
Levy - Skills Development (SETA)	934 426	724 956
Levy - Water : DWAF	392 183	406 859
Levy-Water Catchmt Man:DWAF	286 925	71 343
Licence Fees	275 335	257 217
Materials and Stores	9 965 665	5 238 399
Mayor's Public Expenses	-	3 153
Public Functions	204 095	112 928
Refuse Tip Site - External	2 175 144	1 710 711
Relief / Charitable Expenses	54 866	79 974
Transfer to Equitable Share	20 865 824	15 757 656
Telephones and Communications	1 720 757	1 643 708
Travelling & Subsistence	323 656	386 548
Water Rural Areas	108 780	153 095
Other	8 680 814	8 042 388
Less:	(1 369 313)	(1 500 592)
Stores handling charges	(684 822)	(520 666)
Vehicle and Equipment Recoveries	(7 830)	(14 204)
Departmental Costs	-	(155 066)
Recoverable Expenditure	(676 662)	(810 656)
	81 433 911	63 359 513

Refer to Notes 37.1, 37.2 and 36.15 for detail regarding the restatement of previous year balance.

35. DISCONTINUED OPERATIONS

The operations of the health services, namely Clinics, Community Services and Prime Health Care, was discontinued during the 2007/08 financial year and transferred to the Provincial Administration Western Cape. The analysis of the profit as disclosed on the Statement of Financial Performance is as follows:

Income

Government subsidies	-	281 758
Insurance claims	-	-
Gains from disposal of property, plant and equipment	-	-
Total income	-	281 758

Less: Expenditure

General expenses	-	265 146
Employee related cost	-	162 270
Repairs and maintenance	-	102 876
Net surplus from discontinuing operations	-	-
	-	16 612

The requirements of IFRS 5 have been applied prospectively as allowed by the mentioned Standard.

36. PRIOR YEAR ADJUSTMENTS

36.1 Trade and Other Payables: Other Payables - Applications Card Licences (Refer Note 10)

The payment for Card licence applications was only made to Province in December 2008 after an investigation into the outstanding balance. However, the creditor was transferred to the Expenditure vote during the 2006/07 year and is now reversed.

Balance at 30 June 2007 on 2007/08 financial statements	-
Creditor for "Application Card Licences" created	106 905
Restated balance of Trade Payables: Other Creditors - Applications Card Licences as at 30 June 2007	106 905
	106 905
Balance at 30 June 2008 on 2007/08 financial statements	-
Creditor for "Application Card Licences" created in 2006/07 financial year	106 905
Restated balance of Trade Payables: Other Creditors - Applications Card Licences as at 30 June 2008	106 905

The Trade Payables and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.2 Trade and Other Payables: Trade Payables (Refer Note 10)

During the 2007/08 financial year too much provision was made for WCA against the Trade Creditors votes. This additional provision is now being reversed and the 2007/08 Trade Creditors is adjusted accordingly.

	2009	2008
	R	R
Balance at 30 June 2008 on 2007/08 financial statements	6 116 123	
Reversal of additional provision for WCA	(6 144)	
Restated balance of Trade Creditors as at 30 June 2008	<u><u>6 109 979</u></u>	

The Trade Payables and the Accumulated surplus for 2007/08 is adjusted accordingly.

36.3 Trade and Other Payables: Other Payables (Refer Note 10) and Other Receivables from Non-exchange transactions: Other (Refer Note 19)

A review on the VAT indicators was done by PriceWaterhouseCoopers during the 2008/09 financial year. The VAT liability is adjusted for the 2006/07 and 2007/08 financial years in accordance with the recommendations from PriceWaterhouseCoopers after the review was completed.

Trade Payables: Other Creditors

Balance at 30 June 2007 on 2007/08 financial statements	-	
VAT liability for the 2006/07 financial year	111 664	
Restated balance of Trade Payables: Other Creditors - VAT expenditure Claimable as at 30 June 2007	<u><u>111 664</u></u>	
Balance at 30 June 2008 on 2007/08 financial statements	-	
VAT liability for the 2006/07 and 2007/08 financial year	212 224	
Restated balance of Trade Payables: Other Creditors - VAT expenditure Claimable as at 30 June 2008	<u><u>212 224</u></u>	

Other Receivables from Non-exchange transactions: Other

Balance at 30 June 2008 on 2007/08 financial statements	82	
Debtor classified as Creditor due to VAT liability in 06/07 and 07/08 financial years	(82)	
Restated balance of Other Receivables: Other - VAT expenditure Claimable as at 30 June 2008	<u><u>-</u></u>	

The Trade Payables, Other Receivables from Non-exchange transactions and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.4 Correction of Asset w.r.t overpayment capitalised (Refer Notes 3, 10, 13 and 19)

An overpayment was made on a Capital Project during the 2007/08 financial year. This had an influence on the VAT as well. The asset was also capitalised and funded from the CRR for the full amount paid to the specific company.

Capital Replacement Reserve (Note 3 and Statement of Changes in Net Assets)

Balance at 30 June 2008 on 2007/08 financial statements	101 854 884	
Reversal of Asset Funding from CRR	15 500	
Restated balance of Capital Replacement Reserve as at 30 June 2008	<u><u>101 870 384</u></u>	

Property, Plant and Equipment - COST of Infrastructure (Note 13)

Balance at 30 June 2008 on 2007/08 financial statements	447 459 166	
Reversal of Asset Capitalised	(15 500)	
Restated balance of PPE - COST of Infrastructure as at 30 June 2008	<u><u>447 443 666</u></u>	

Trade Payables - Other Creditors - VAT expenditure Claimable (Note 10)

Balance at 30 June 2008 on 2007/08 financial statements	-	
VAT on overpayment on Capital Project	2 170	
Restated balance of Trade Payables: Other Creditors - VAT expenditure Claimable as at 30 June 2008	<u><u>2 170</u></u>	

Other Receivables - Other - VE Reticulations Company (Note 19)

Balance at 30 June 2008 on 2007/08 financial statements	-	
Raising of Debtor for amount of overpayment	17 670	
Restated balance of Other Receivables: Other - VE Reticulation Company as at 30 June 2008	<u><u>17 670</u></u>	

The Capital Replacement Reserve, PPE, Trade Payables, Other Receivables and Accumulated surplus for 2007/08 was adjusted accordingly.

36.5 Housing Development Fund (Refer Note 2)

During the 2007/08 financial year the expenditure for the 2006/07 year on Houses held for resale was again transferred to the Housing Development Fund, which is now being reversed. An amount of R766 671.89 for provision of bad debt was incorrectly debited to the Housing Development Fund in the 2007/08 year. The funds in the HDF was already committed for Houses held for resale and the building of Toilets in Kwa'nonqaba and

Balance at 30 June 2008 on 2007/08 financial statements	16 462 910	
Reversal of Duplication of 2006/07 Expenditure on Houses held for resale	(7 239 726)	
Provision of Bad Debt incorrectly debited to HDF	766 672	
Restated balance of Housing development fund as at 30 June 2008	<u><u>9 989 856</u></u>	

The Housing Development Fund and the Accumulated surplus for 2007/08 is adjusted accordingly.

36.6 Trade and Other Payables: Other Payables - Garnishee orders Wages (Refer Note 10)

		2009	2008
		R	R
Payment received from M London for WCA which was put on Garnishee order and a creditor created in June			34 531
Balance at 30 June 2007 on 2007/08 financial statements			(32 965)
Money received for WCA - M London, payment on creditor created			<u>1 565</u>
Restated balance of Other Payables - Garnishee order Wages as at 30 June 2007			
Balance at 30 June 2008 on 2007/08 financial statements			34 370
Money received for WCA - M London, payment on creditor created			(32 965)
Restated balance of Other Payables - Garnishee order Wages as at 30 June 2008			<u>1 405</u>

The Trade and Other Payables and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.7 Property, Plant and Equipment - Land (Refer Note 13)

During the process of comparing the Asset Register with the Valuation Roll, Land was identified which were not previously shown on Asset Register.

Change to Notes to Annual Financial Statements:***Cost of Land:***

Balance at 30 June 2008 on 2007/08 financial statements	190 881 063
First time recognition of Land prior to 2007/08	109 812 100
Restated balance of Land (PPE) as at 30 June 2008	<u>300 693 163</u>

The Property, Plant and Equipment and the Accumulated surplus for 2007/08 is adjusted accordingly.

36.8 Property, Plant and Equipment - Buildings (Refer Note 13)

During the process of comparing the Asset Register with the Valuation Roll, Land was identified which were not previously shown on Asset Register.

Change to Notes to Annual Financial Statements:***Cost of Buildings:***

Balance at 30 June 2008 on 2007/08 financial statements	111 866 816
First time recognition of Buildings prior to 2007/08	8 744 359
Restated balance of Cost of Buildings (PPE) as at 30 June 2008	<u>120 611 175</u>

Accumulated Depreciation of Buildings:

Balance at 30 June 2008 on 2007/08 financial statements	24 739 999
Depreciation for the 2006/07 year	290 676
Depreciation for the 2007/08 year	291 474
Restated balance of Accumulated Depreciation of Buildings (PPE) as at 30 June 2008	<u>25 322 149</u>

Change to Statement of Financial Performance:***Depreciation:***

Balance at 30 June 2008 on 2007/08 financial statements	34 277 274
Depreciation for the 2007/08 year due to 1st time recognition of Buildings	291 474
Depreciation for the 2007/08 year due to 1st time recognition of Infrastructure	(11 965 193)
Change to residual value effect on the 2007/08 year (other assets)	(227 487)
Restated balance of Depreciation as at 30 June 2008	<u>22 376 068</u>

The Property, Plant and Equipment, Depreciation and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.9 Property, Plant and Equipment - Infrastructure (Refer Note 13)

During the process of the unbundling of assets on the Asset Register, Infrastructure assets were identified which were not previously shown on Asset Register.

Change to Notes to Annual Financial Statements:***Accumulated Depreciation of Infrastructure Assets:***

Balance at 30 June 2008 on 2007/08 financial statements	137 354 575
Accounting for Accumulated Depreciation of Infrastructure assets due to unbundling prior to 2007/08	20 572 067
Accounting for Accumulated Depreciation of Infrastructure assets due to unbundling for 2007/08	(11 965 193)
Restated balance of Accumulated Depreciation of Infrastructure Assets (PPE) as at 30 June 2008	<u>145 961 449</u>

Change to Statement of Financial Performance:***Depreciation:***

Balance at 30 June 2008 on 2007/08 financial statements	34 277 274
Depreciation for the 2007/08 year due to 1st time recognition of Buildings	291 474
Depreciation for the 2007/08 year due to 1st time recognition of Infrastructure	(11 965 193)
Change to residual value effect on the 2007/08 year (other assets)	(227 487)
Restated balance of Depreciation as at 30 June 2008	<u>22 376 068</u>

The Property, Plant and Equipment and the Accumulated surplus for 2007/08 is adjusted accordingly.

36.10 Investment Property (Refer Note 15)

Investment Properties were identified which were not assets of the municipality and which had incorrect values on the Asset Register.

Change to Notes to Annual Financial Statements:***Implementation of IAS 40 standard:***

Balance at 30 June 2007 on 2007/08 financial statements

Decrease in revaluation due to the fact that it was supposed to be impaired previous years

Restated balance of Implementation of IAS 40 standard as at 30 June 2007

	2009	2008
	R	R
	516 879 080	516 879 080
	(11 174 500)	(11 174 500)
	<u>505 704 580</u>	<u>505 704 580</u>

Impairment losses:

Balance at 30 June 2007 on 2007/08 financial statements

Impairment increase due to the fact that it was supposed to be impaired previous years

Restated balance of Impairment losses as at 30 June 2007

Restated balance of Investment Property as at 30 June 2007

2 270 000
<u>248 300</u>
<u>2 518 300</u>

503 186 280

Investment Property Balance:

Balance at 30 June 2008 on 2007/08 financial statements

Corrections on Investment Property in 2006/07 (as per above)

Acquisitions during 07/08 year

Restated balance of Implementation of IAS 40 standard as at 30 June 2007

514 609 080
(11 422 800)
31 373
<u>503 217 653</u>

The Investment Property and the Accumulated surplus for 2006/07 is adjusted accordingly.

36.11 Property, Plant and Equipment - Other (Refer Note 13)

During the year a change in the Residual value of Inventory items was adjusted on the Asset Register.

Change to Notes to Annual Financial Statements:***Accumulated Depreciation of Other:***

Balance at 30 June 2008 on 2007/08 financial statements

Change to residual value effect on the years prior to 2007/08

Change to residual value effect on the 2007/08 year

Restated balance of Accumulated Depreciation of Other (PPE) as at 30 June 2008

17 486 259
71 972
227 487
<u>17 785 718</u>

The Property, Plant and Equipment and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.12 Trade and Other Receivables from Exchange Transactions (Refer Note 18) and from Non-Exchange Transactions (Note 19)

The municipality provides for Impairment on Debtors by calculating the non-payment on debtors outstanding per suburb and also provides for the debtors outstanding for longer than 365 days. In order to rectify the double counting of the 365 day debtors the municipality needed to adjust the calculation of the 2006/07 and 2007/08 provision for impairment.

Change to Notes to Annual Financial Statements:***Provision for impairment on Receivables from Exchange transactions (Note 18):***

Balance at 30 June 2008 on 2007/08 financial statements

Correction to provision for impairment for the 2006/07 year

Correction to provision for impairment for the 2007/08 year

Restated balance of Provision for impairment as at 30 June 2008

24 465 816
(1 672 951)
(100 267)
<u>22 692 597</u>

Change to Notes to Annual Financial Statements:***Provision for impairment on Receivables from Non-Exchange transactions (Note 19):***

Balance at 30 June 2008 on 2007/08 financial statements

Correction to provision for impairment for the 2006/07 year

Correction to provision for impairment for the 2007/08 year

Restated balance of Provision for impairment as at 30 June 2008

1 932 164
(364 621)
9 026
<u>1 576 570</u>

The Provision for impairment and the Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.13 Recognition of fair values of consumer deposits (St of Financial Position, St of Financial Performance and Note 8 - Consumer Deposits)

In accordance with IAS 39, Consumer deposits must be stated at fair value. The previous years' balances is therefor restated at amortised cost using the effective interest rate method.

Change to Statement of Financial Position:***Consumer Deposits***

Balance at 30 June 2008 on 2007/08 Financial Statements

8 164 883

Unamortised discount recognised for first time for years prior to 2007/08

(5 411 205)

Unamortised discount recognised for first time for 2007/08 year

(368 470)

Restated balance of Consumer Deposits as at 30 June 2008

2 385 207

Change to Statement of Financial Performance:***Other income (Note 26)***

Balance at 30 June 2008 on 2007/08 Financial Statements

38 654 505

Unamortised discount on Consumer Deposits for 2007/08 year

368 470

Restated balance of Other Income as at 30 June 2008

39 022 976

The Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

36.14 Reclassification of Employee Benefit plan Liability (St of Financial Position, Note 5 - Non-current Provisions, Note 9 - Provisions and Note 6 - Defined Benefit Liability)

In accordance with IAS 19 Employee benefit details are disclosed separate from non-current provisions. In the 2007/08 Annual financial statements the employee benefits was disclosed under non-current provisions, but is now restated under Defined benefit liability in the Statement of Financial Position and in the notes to the financial statements.

Change to Statement of Financial Position:

Non-current liabilities:

Defined benefit liability

Balance at 30 June 2008 on 2007/08 Financial Statements

Defined benefit liability (employee benefits) for 2007/08 year - move from Non-current provisions (note 5)

Restated balance of Defined benefit liability as at 30 June 2008

	2009	2008
	R	R
Balance at 30 June 2008 on 2007/08 Financial Statements	65 063 088	65 063 088
Defined benefit liability (employee benefits) for 2007/08 year - move from Non-current provisions (note 5)	<u>65 063 088</u>	<u>65 063 088</u>

Non-current provisions

Balance at 30 June 2008 on 2007/08 Financial Statements

Defined benefit liability (employee benefits) for 2007/08 year - move to Defined benefit liability (note 6)

Restated balance of Non-current provisions as at 30 June 2008

Balance at 30 June 2008 on 2007/08 Financial Statements	65 063 088
Defined benefit liability (employee benefits) for 2007/08 year - move to Defined benefit liability (note 6)	<u>(65 063 088)</u>
Restated balance of Non-current provisions as at 30 June 2008	<u>-</u>

Current liabilities:

Current portion of defined benefit liability

Balance at 30 June 2008 on 2007/08 Financial Statements

Current portion of Defined benefit liability (employee benefits) for 2007/08 year - move from Provisions (note 9)

Restated balance of Current portion of defined benefit liability as at 30 June 2008

Current portion of Defined benefit liability (employee benefits) for 2007/08 year - move from Provisions (note 9)	3 245 285
Restated balance of Current portion of defined benefit liability as at 30 June 2008	<u>3 245 285</u>

Provisions

Balance at 30 June 2008 on 2007/08 Financial Statements

Current portion of defined benefit liability (employee benefits) for 2007/08 year - move to Current portion of defined benefit liability (note 6)

Performance Bonus accrual for 2007/08 year - move from Provisions note 9 (refer to note 37.6)

Restated balance of Provisions as at 30 June 2008

Balance at 30 June 2008 on 2007/08 Financial Statements	3 977 678
Current portion of defined benefit liability (employee benefits) for 2007/08 year - move to Current portion of defined benefit liability (note 6)	<u>(3 245 285)</u>
Performance Bonus accrual for 2007/08 year - move from Provisions note 9 (refer to note 37.6)	<u>(657 393)</u>
Restated balance of Provisions as at 30 June 2008	<u>75 000</u>

The Statement of Financial Position and Notes to the annual financial statements are adjusted accordingly.

36.15 Recognition of Operating Lease Liability (St of Financial Position, Note 34 - General Expenses - Lease Charges and Note 22 - Operating Leases)

The Municipality needed to rectify the recognition of Operating Lease Liability. Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Change to Statement of Financial Position:

Operating Lease Liability

Balance at 30 June 2008 on 2007/08 Financial Statements

Operating Lease Liability recognised for 2007/08 year

Restated balance of Operating Lease Liability as at 30 June 2008

Operating Lease Liability recognised for 2007/08 year	19 654
Restated balance of Operating Lease Liability as at 30 June 2008	<u>19 654</u>

Change to Notes to Annual Financial Statements:

Note 34 - General Expenses - Lease Charges

Balance at 30 June 2008 on 2007/08 Financial Statements

Smoothing of Operating Leases 2007/08

Restated balance of General Expenses - Lease Charges as at 30 June 2008

Balance at 30 June 2008 on 2007/08 Financial Statements	701 127
Smoothing of Operating Leases 2007/08	<u>19 654</u>
Restated balance of General Expenses - Lease Charges as at 30 June 2008	<u>760 088</u>

The Accumulated surplus for 2007/08 is adjusted accordingly.

36.16 Recognition of Operating Lease Assets (St of Financial Position, St of Financial Performance and Note 22 - Operating Leases)

The Municipality needed to rectify the recognition of Operating Lease Assets. Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Change to Statement of Financial Position:

Operating Lease Assets

Balance at 30 June 2008 on 2007/08 Financial Statements

Operating Lease Assets recognised for year prior to 2007/08

Operating Lease Assets recognised for 2007/08 year

Restated balance of Operating Lease Assets as at 30 June 2008

Operating Lease Assets recognised for year prior to 2007/08	79 673
Operating Lease Assets recognised for 2007/08 year	<u>21 990</u>
Restated balance of Operating Lease Assets as at 30 June 2008	<u>101 663</u>

Change to Statement of Financial Performance:

Rental of facilities and equipment

Balance at 30 June 2008 on 2007/08 Financial Statements

Smoothing of Operating Leases 2007/08

Restated balance of Rental of facilities and equipment as at 30 June 2008

Balance at 30 June 2008 on 2007/08 Financial Statements	1 322 650
Smoothing of Operating Leases 2007/08	<u>21 990</u>
Restated balance of Rental of facilities and equipment as at 30 June 2008	<u>1 547 967</u>

The Accumulated surplus for 2006/07 and 2007/08 is adjusted accordingly.

37. CHANGE IN ACCOUNTING POLICY

37.1 Reclassification of Actuarial losses (St of Financial Performance and Note 34 - General expenses)

In the 2007/08 Annual Financial Statements the Actuarial losses for the 2007/08 financial year was included under the General expenses note under "Other". In the 2008/09 financial year the Actuarial losses item is included in the Statement of Financial Performance as a separate expenditure item. The 2007/08 financial year amounts for Note 34 - General expenses and the Actuarial losses on the Statement of Financial Performance is therefor adjusted accordingly.

	2009	2008
Change to Notes to Annual Financial Statements:		
<i>Note 34 - General Expenses - Other</i>	R	R
Balance at 30 June 2008 on 2007/08 Financial Statements	10 753 333	
Actuarial losses for 2007/08 year - move to Statement of Financial Performance	(2 710 945)	
Restated balance of General Expenses - Other as at 30 June 2008	<u>8 042 388</u>	
Change to Statement of Financial Performance:		
<i>Actuarial losses</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	-	
Actuarial losses for 2007/08 year	2 710 945	
Restated balance of Actuarial losses as at 30 June 2008	<u>2 710 945</u>	
37.2 Reclassification of Municipal Charges and Street Lighting (Note 34 - General expenses, Note 23 - Property Rates, Note 24 - Service Charges)		
During the 2007/08 financial year the Municipal Charges and Street Lighting items was included under the General expenses note as expenditure and also reflected as an income under the Property Rates and Services Charges notes. These municipal charges should however not be reflected as an income or expenditure. The 2007/08 financial year amounts for the above-mentioned notes is therefor restated accordingly.		
Change to Notes to Annual Financial Statements:		
<i>Note 34 - General Expenses - Municipal Charges</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	8 765 379	
Municipal Charges moved to Service Charges - Note 23 & 24	(8 765 379)	
Restated balance of General Expenses - Municipal Charges as at 30 June 2008	<u>-</u>	
<i>Note 34 - General Expenses - Street Lighting</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	1 294 184	
Municipal Charges moved to Service Charges - Note 24	(1 294 184)	
Restated balance of General Expenses - Street Lighting as at 30 June 2008	<u>-</u>	
<i>Note 23 - Property Rates - Commercial</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	8 519 795	
Municipal Charges on Property Rates for 2007/08 year	(1 199 405)	
Restated balance of Property Rates - Commercial as at 30 June 2008	<u>8 320 390</u>	
<i>Note 24 - Services Charges</i>		
<i>Sale of electricity</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	117 957 576	
Municipal Charges on Electricity for 2007/08 year	(7 594 939)	
Street Lighting charges on Electricity for 2007/08 year	(1 294 184)	
Restated balance of Service Charges - Sale of electricity as at 30 June 2008	<u>109 068 453</u>	
<i>Sale of water</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	48 072 460	
Municipal Charges on Water for 2007/08 year	(5 90 921)	
Restated balance of Service Charges - Sale of Water as at 30 June 2008	<u>47 481 540</u>	
<i>Refuse removal</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	21 154 147	
Municipal Charges on Refuse removal for 2007/08 year	(126 468)	
Restated balance of Service Charges - Refuse removal as at 30 June 2008	<u>21 027 679</u>	
<i>Sewerage & sanitation charges</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	37 233 000	
Municipal Charges on Sewerage & sanitation for 2007/08 year	(253 646)	
Restated balance of Service Charges - Sewerage & sanitation as at 30 June 2008	<u>36 979 353</u>	
TOTAL Service Charges		
Balance at 30 June 2008 on 2007/08 Financial Statements	224 417 182	
Municipal Charges on Service charges for 2007/08 year	(8 565 974)	
Street Lighting charges on Service charges for 2007/08 year	(1 294 184)	
Restated balance of TOTAL Service Charges as at 30 June 2008	<u>214 557 025</u>	
37.3 Reclassification of Short-term Investment Deposits (Note 20 - Investments and 21 - Cash and Cash Equivalents)		
In the 2007/08 Annual Financial Statements the Short-term Investment Deposits for the 2007/08 financial year was shown under Note 20 - Investments and on the Statement of Financial Position under Current Assets as Short-term Investment Deposits. In the 2008/09 financial year the Short-term Investment Deposits is included in Note 21 - Cash and Cash Equivalents and shown under Cash and Cash Equivalents under current assets on the Statement of Financial Position. The 2007/08 financial year amounts is therefor adjusted accordingly.		
Change to Notes to Annual Financial Statements:		
<i>Note 21 - Cash and Cash Equivalents</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	7 555 875	
Short-term Investment Deposits for 2007/08 year - Move from Note 20	196 000 000	
Restated balance of Actuarial losses as at 30 June 2008	<u>203 555 875</u>	
Change to Statement of Financial Position:		
<i>Cash and Cash Equivalents</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements	7 555 875	
Short-term Investment Deposits for 2007/08 year - Move from Note 20	196 000 000	
Restated balance of Actuarial losses as at 30 June 2008	<u>203 555 875</u>	

		2009	2008
		R	R
<i>Short-term Investment Deposits</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		196 000 000	
Short-term Investment Deposits moved to Cash and Cash Equivalents - Note 21		(196 000 000)	
Restated balance of Short-term Investment Deposits as at 30 June 2008		-	
37.4 <u>Reclassification of RATES from Receivables from Exchange to Receivables from Non-exchange transactions</u>	<u>(Notes 18 and 19)</u>		
In accordance with GRAP 9, the Municipality changed its accounting policy on the classification of Rates Debtors as receivables from Non-exchange transactions. The outstanding debtor, as well as the Provision for Impairment is adjusted accordingly.			
Change to Notes to Annual Financial Statements:			
<i>Note 18 - Trade and Other Receivables from Exchange Transactions</i>			
<i>Gross Balance:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		55 259 808	
Movement of Rates Debtors to Non-exchange Transactions		(6 110 068)	
Restated balance of Trade and other Receivables from Exchange Transactions as at 30 June 2008		49 149 740	
<i>Provision for Impairment:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		26 397 980	
Movement of Rates Debtors to Non-exchange Transactions		(1 932 164)	
Restated balance of Trade and other Receivables from Exchange Transactions as at 30 June 2008		24 465 816	
<i>Net Balance:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		28 861 827	
Movement of Rates Debtors to Non-exchange Transactions		(4 177 904)	
Restated balance of Trade and other Receivables from Exchange Transactions as at 30 June 2008		24 683 924	
<i>Note 19 - Other Receivables from Non-Exchange Transactions</i>			
<i>Gross Balance:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		20 755 139	
Movement of Rates Debtors to Non-exchange Transactions		6 110 068	
Other corrections done on Other Debtors (see notes 36.3 and 36.4)		17 588	
Restated balance of Other Receivables from Non-Exchange Transactions as at 30 June 2008		26 882 794	
<i>Provision for Impairment:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		2 599 530	
Movement of Rates Debtors to Non-exchange Transactions		1 932 164	
Restated balance of Other Receivables from Non-Exchange Transactions as at 30 June 2008		4 531 694	
<i>Net Balance:</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		18 155 609	
Movement of Rates Debtors to Non-exchange Transactions		4 177 904	
Other corrections done on Other Debtors (see notes 36.3 and 36.4)		17 588	
Restated balance of Other Receivables from Non-Exchange Transactions as at 30 June 2008		22 351 100	
Change to Statement of Financial Position:			
<i>Trade and Other Receivables from Exchange Transactions</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		28 861 827	
Movement of Rates Debtors to Non-exchange Transactions		(4 177 904)	
Restated balance of Trade and other Receivables from Exchange Transactions as at 30 June 2008		24 683 924	
<i>Other Receivables from Non-Exchange Transactions</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		18 155 609	
Movement of Rates Debtors to Non-exchange Transactions		4 177 904	
Other corrections done on Other Debtors (see notes 36.3 and 36.4)		17 588	
Restated balance of Other Receivables from Non-Exchange Transactions as at 30 June 2008		22 351 100	
37.5 <u>Transfer of Reserves to Accumulated Surplus (Notes 3 and Statement of Changes in Net Assets)</u>			
Mossel Bay municipality has changed its accounting policy in respect of reserves that was ring-fenced for future use. These reserves were established in accordance with the specimen financial statements issued by National Treasury. Seeing as no standard prescribes the establishment of such reserves, the movements in the Capitalisation, Government Grant and Donations and Public Contributions Reserves is transferred to the Accumulated surplus.			
Change to Notes to Annual Financial Statements:			
<i>Note 3 - Capitalisation Reserve</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		74 438 702	
Transfer of movements in Reserve for 06/07 and earlier to Accumulated Surplus		(87 951 500)	
Transfer of movements in Reserve for 07/08 year to Accumulated Surplus		13 512 798	
Restated balance of Capitalisation Reserve as at 30 June 2008		0	
<i>Note 3 - Government Grant Reserve</i>			
Balance at 30 June 2008 on 2007/08 Financial Statements		96 275 155	
Transfer of movements in Reserve for 06/07 and earlier to Accumulated Surplus		(84 697 931)	
Transfer of movements in Reserve for 07/08 year to Accumulated Surplus		(11 577 224)	
Restated balance of Government Grant Reserve as at 30 June 2008		(0)	

	2009	2008
	R	R
<i>Note 3 - Donations and Public Contributions Reserve</i>		
Balance at 30 June 2008 on 2007/08 Financial Statements		80 569 053
Transfer of movements in Reserve for 06/07 and earlier to Accumulated Surplus		(83 550 717)
Transfer of movements in Reserve for 07/08 year to Accumulated Surplus		2 981 664
Restated balance of Donations and Public Contributions Reserve as at 30 June 2008		(0)

Change to Statement of Changes in Net Assets:*Capitalisation Reserve*

Balance at 1 July 2007 on 2007/08 Financial Statements	87 951 500
Transfer of movements in Reserve to Accumulated Surplus	(87 951 500)
Restated balance of Capitalisation Reserve as at 1 July 2007	-
 Movement during 2007/08 year	 (13 512 798)
Transfer of movements in Reserve for 07/08 year to Accumulated Surplus	13 512 798
Restated balance of Capitalisation Reserve as at 30 June 2008	-

Government Grant Reserve

Balance at 1 July 2007 on 2007/08 Financial Statements	84 697 931
Transfer of movements in Reserve to Accumulated Surplus	(84 697 931)
Restated balance of Government Grant Reserve as at 1 July 2007	-

Movement during 2007/08 year

Transfer of movements in Reserve for 07/08 year to Accumulated Surplus	11 577 224
Restated balance of Government Grant Reserve as at 30 June 2008	(11 577 224)
 Restated balance of Government Grant Reserve as at 30 June 2008	 -

Donations and Public Contributions Reserve

Balance at 1 July 2007 on 2007/08 Financial Statements	83 550 717
Transfer of movements in Reserve to Accumulated Surplus	(83 550 717)
Restated balance of Donations and Public Contributions Reserve as at 1 July 2007	-

Movement during 2007/08 year

Transfer of movements in Reserve for 07/08 year to Accumulated Surplus	(2 981 664)
Restated balance of Donations and Public Contributions Reserve as at 30 June 2008	2 981 664
 Restated balance of Donations and Public Contributions Reserve as at 30 June 2008	 -

37.6 Reclassification of Performance Bonus Provision (St of Financial Position, Note 9 - Provisions and Note 10 - Trade and Other payables)

In the 2007/08 Annual Financial Statements the Performance Bonus accrual for the 2007/08 financial year was included under the Provisions note 9. In the 2008/09 financial year the Performance Bonus accrual is included under the Trade and Other payables note 10. The Statement of Financial Position is therefor adjusted

Change to Notes to Annual Financial Statements:*Note 9 - Provisions*

Balance at 30 June 2008 on 2007/08 Financial Statements	3 977 678
Performance Bonus accrual for 2007/08 year - move to Trade and Other Payables note 10	(657 393)
Restated balance of Provisions as at 30 June 2008	3 320 285

Note 10 - Trade and other Payables

Balance at 30 June 2008 on 2007/08 Financial Statements	32 995 152
Reversal of additional provision for WCS (refer correction note 36.2)	(6 144)
Creditor for "Application Card Licences" created (refer correction note 36.1)	106 905
Money received for WCA - M London, payment on creditor created (refer correction note 36.6)	(32 965)
VAT liability (refer correction note 36.3)	212 141
VAT on overpayment on Capital Project (refer correction note 36.4)	2 170
Performance Bonus accrual for 2007/08 year - move from Provisions note 9	657 393
Restated balance of Trade and other Payables as at 30 June 2008	33 934 651

The Statement of Financial Position is adjusted accordingly.

38. CHANGE IN ACCOUNTING ESTIMATES

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:	
Other assets	(241 395)
Leased assets	-
Intangible assets	(15 564)
Buildings	(41 631)
	<hr/> (298 590)

Other assets were identified which were fully depreciated in years prior to 2008/2009. These assets current carrying value in the asset register appear as R0, however the following information is available:

	Cost:	Residual values:
Other assets:	6 548 995	902 374
Buildings:	2 350 602	-

		2009 R	2008 R
39. CASH GENERATED BY OPERATIONS			
Surplus for the year		44 295 627	56 148 880
Adjustment for:			
Depreciation and Amortisation		23 068 214	22 945 591
Depreciation - Previous year adjustment			
Gain and loss on disposal of property, plant and equipment		261 517	(1 196 604)
Contributions to provisions (non-current)		4 205 418	6 669 091
Contributions to provisions (current)		2 945 286	2 311 805
Actuarial loss		1 410 476	2 710 945
Actuarial gains		(6 625 714)	-
Contributions to bad debt provision		11 946 971	4 444 185
Bad Debts written off		(14 699 448)	(19 350 078)
Investment Income		(27 290 762)	(24 237 203)
Interest on Unamortised discounts		(1 296)	(2 711)
Operating Lease Income		(5 444)	(21 990)
Operating Lease Expenses		59 531	19 654
Interest paid		786 935	653 875
Operating surplus before working capital changes:		40 357 312	51 095 440
(Increase) / Decrease in inventories		696 882	1 901 501
(Increase) / Decrease in receivables from exchange transactions		1 811 948	11 184 039
(Increase) / Decrease in receivables from non-exchange transactions		(5 124 447)	(6 351 090)
(Decrease) / Increase in conditional grants & receipts		11 405 830	(9 135 594)
Increase / (Decrease) in trade payables		19 107 708	3 179 511
Cash generated by operations		68 255 233	51 873 808
40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities (see note 4)		4 899 619	4 723 276
Used to finance PPE - at cost		-	-
Sub-total		4 899 619	4 723 276
Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 21).			
41. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE			
41.1 <u>Unauthorised expenditure</u>			
Reconciliation of unauthorised expenditure			
Opening balance		-	-
Unauthorised expenditure current year		-	-
Approved by council or condoned		-	-
Transfer to receivables for recovery (note 19)		-	-
Unauthorised expenditure awaiting authorisation		-	-
41.2 <u>Fruitless & wasteful expenditure</u>			
Reconciliation of fruitless and wasteful expenditure			
Opening balance		-	-
Fruitless and wasteful expenditure current year		-	-
Condoned or written off by Council		-	-
To be recovered - contingent asset		-	-
Fruitless and wasteful expenditure awaiting condonement		-	-
41.3 <u>Irregular expenditure</u>			
Reconciliation of irregular expenditure			
Opening balance		-	-
Irregular expenditure current year		2 434 128	42 488
Recovered		-	(42 488)
Condoned or written off by Council		(2 434 128)	-
Transfer to receivables for recovery - not condoned		-	-
Irregular expenditure awaiting condonement		-	-
2009			
Incident		Disciplinary steps/criminal proceedings	
Deviations from the Supply Chain Management Policy (note 42.7)		None	
2008			
Incident		Disciplinary steps/criminal proceedings	
Cash theft		Employee resigned - SAPS case number MAS60/04/2008	
42. ADDITIONAL DISCLOSURES i.t.o THE MFMA			
42.1 <u>Contributions to SALGA</u>			
Opening balance		-	-
Council subscriptions		487 037	425 003
Amount paid - current year		(487 037)	(425 003)
Amount paid - previous years		-	-
Balance unpaid (included in Trade payables)		-	-

		2009 R	2008 R
42.2	<u>Audit fees</u>		
	External Audit Fees		
	Opening balance	-	-
	Current year audit fee	1 824 286	909 807
	Amount paid - current year	(1 824 286)	(909 807)
	Amount paid - previous years	-	-
	Balance unpaid (included in Trade payables)	<u><u>-</u></u>	<u><u>-</u></u>
	Internal Audit Fees		
	Opening balance	-	-
	Current year audit fee	539 156	736 220
	Amount paid - current year	(539 156)	(736 220)
	Amount paid - previous years	-	-
	Balance unpaid (included in Trade payables)	<u><u>-</u></u>	<u><u>-</u></u>
42.3	<u>VAT</u>		
	VAT inputs receivables and VAT outputs receivables are shown in Note 12.		
	All VAT returns have been submitted by the due date throughout the year.		
42.4	<u>PAYE and UIF</u>		
	Opening balance	-	-
	Current year payroll deductions	14 280 068	11 369 768
	Amount paid - current year	(14 280 028)	(11 369 768)
	Amount paid - previous years	-	-
	Balance unpaid (included in Trade payables)	<u><u>40</u></u>	<u><u>-</u></u>
42.5	<u>Pension, Provident and medical aid deductions</u>		
	Opening balance	-	-
	Current year payroll deductions and council contributions	27 518 895	21 502 483
	Amount paid - current year	(27 518 895)	(21 502 483)
	Amount paid - previous years	-	-
	Balance unpaid (included in Trade payables)	<u><u>0</u></u>	<u><u>-</u></u>
42.6	<u>Councillor's arrear consumer accounts</u>		
	<u>The following Councillors had arrear accounts outstanding at 30 June for more than 90 days:</u>		
	30 June 2009	<u>Total</u>	<u>Outstanding less than 90 days</u>
	None	<u>-</u>	<u>-</u>
	Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>
	30 June 2008	<u>1,697</u>	<u>1,171</u>
	J Booyens	<u>1 697</u>	<u>1 171</u>
	Total Councillor Arrear Consumer Accounts	<u>526</u>	<u>526</u>
	<u>During the year the following councillors had arrear accounts outstanding for more than 90 days:</u>		
			<u>Highest Amount Outstanding</u>
	1 July 2008 to 30 June 2009	<u>1 015</u>	<u>Ageing</u>
	SW Manual	<u>90+ days</u>	
	1 July 2007 to 30 June 2008	<u>756</u>	<u>90+ days</u>
	J Booyens		
42.7	<u>Non-compliance with Chapter 11 of the MFMA</u>		
	The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:		
	SERVICE CONTRACTS:		
	DEPARTMENT	DATE	CONTRACT
	Technical Services	13.08.2008	Appointment of Ninham Shand Consulting Engineers for Wolwedans Petunia paving & Stormwater project. (EPWP contractors were assigned for this projects)
			Due to urgency of matter tender procedure not followed although eventual cost might exceed R200 000. Three quotations obtained but transaction cost can only be determined once investigation is completed. Consulting Engineers charge according to fees published in Government Gazette.
	Electro-technical Services	14.08.2008	Appointment of Africon
			Africon have completed the asset evaluation exercise for Mossel Bay Municipality and have an intimate knowledge of council's bulk infrastructure and would be able to complete the project within a 2 months time frame.
	Municipal Manager / Socio-Economic Development	18.11.2008	Appointment of Sauls & Associates for the LED Implementation Plan of Council
			Extension of the existing contract with the service provider, Sauls & Associates for a further three months.
	Director Corporate services	18.11.2008	Appointment of Ignite Advisory services for the responsibility of Council's Performance Management process
			They have done the SDBIP of Municipality and have complete knowledge of our Council. Performance evaluations of the Section 57 employees as well as their contracts.

CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000
July 2008	29 321	78 321	90 574	
Aug 2008	179 633	45 076	53 474	143 162
Sep 2008	59 735	43 548		
Oct 2008	89 394	30 565		172 320
Nov 2008	81 085	34 604	50 453	
Dec 2008	174 027			
Jan 2009	92 580	24 532	51 318	
Feb 2009	32 406	88 397	57 912	
Mar 2009	68 091	58 125		
Apr 2009	36 756	24 173	156 932	
May 2009	68 199	102 225		
Jun 2009	122 035	95 156		
Grand Total	1 033 262	624 720	460 664	315 482

42.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2009 R	2008 R
42.8.1 Levy Department of Water Affairs and Forestry : Water	392 183	406 859
42.8.2 Levy Department of Water Affairs and Forestry : Water Catchment Management	286 925	71 343
42.8.3 Skills Development Levy	934 426	724 956
42.8.4 Levy Bargaining Council	32 483	27 245

42.9 MATERIAL LOSSES

<u>Electricity distribution losses</u>			
- Units purchased (Kwh)	307,403,704	307,107,000	
- Units lost during distribution (Kwh)	15,349,538	24,024,000	
- Percentage lost during distribution	4.99%	7.82%	
<u>Water distribution losses</u>			
- Mega litres purified	9,790	9,786	
- Mega litres lost during distribution	1,462	2,360	
- Percentage lost during distribution	14.93%	24.11%	

43. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for	40 607 120	57 143 601
<i>Infrastructure</i>	32 795 000	43 002 500
<i>Community</i>	150 000	9 331 837
<i>Specialised Vehicles</i>		-
<i>Other</i>	7 662 120	4 809 264

This expenditure will be financed from:

-Finance leases	200 000	1 600 000
-Capital replacement reserve	30 118 520	42 247 257
-Government grants	6 988 600	13 296 344
-Public contributions / donations	3 300 000	-
-District Council grants	-	-
-Housing Trust Fund	-	-
	40 607 120	57 143 601

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

44.1 Related Party Transactions**Year ended 30 June 2009**

Councillors
Municipal Manager and Section 57 Personnel
Municipal Entities

Rates and service charges
R

137 231
47 455

Outstanding balances
R

-
-

Year ended 30 June 2008

Councillors
Municipal Manager and Section 57 Personnel
Municipal Entities

123 995
35 275

-
-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

44.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements.

44.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28.

44.4

Other related party transactions

The following are awards above R2 000 made either to persons in the service of the state or to spouses, children or parents of anybody in the service of the state.

QUOTATIONS:

QUOTATION	TOTAL AMOUNT FOR 08/09 YEAR	AWARDED TO	RELATION
Construction of new netball court / Repair work to sewerage line	R114 449,50	Marracon (Pty) Ltd	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Impounding of Vehicles as per closed quotation	R14 550	Steph Peterson Holdings	The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality.
Repairs to roof at Van Riebeeck Stadion	R6 900	FC Jackson	The wife of Mr FC Jackson (the owner) is an employee at Mossel Bay Municipality.
Deforestation	R17 205	H Rooiland	The wife of Mr H Rooiland is an employee at Mossel Bay Municipality.
Hire machinery, material & equipment	R9 514,61	Masshire Holdings	Councillor JV Booyens is a Director of Masshire Holdings.

TENDERS:

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 19/2008: Annual Tender for the delivery and hire of machines and trucks.	10/07/2008	Marracon (Pty) Ltd	Various	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 20/2008: Annual Tender for the supply and delivery of bricks, sand, gravel and stone.	10/07/2008	Marracon (Pty) Ltd	Various	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 26/2008: Rehabilitation of Gleniqua drive, Glentana.	12/08/2008	Marracon (Pty) Ltd	R1 327 032,96	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 57/2008: Execution of supplementary valuations for the financial years 2008-2009, 2010 and 2010-2011.	02/02/2009	Abathathu Valuers CC	Various	The cousin of the CEO of Abathathu Valuers CC is an employee at Mossel Bay Municipality.
Tender 19/2009: Annual Tender for the delivery and hire of machines and trucks.	15/06/2009	Marracon (Pty) Ltd	Various	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 20/2009: Annual Tender for the supply and delivery of bricks, sand, gravel and stone.	22/06/2009	Marracon (Pty) Ltd	Various	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

45. **FINANCIAL RISK MANAGEMENT**

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument

Long term receivables

Trade and Other Receivables from Exchange transactions

Other Receivables from Non-Exchange transactions

Bank and cash balances

Maximum credit and interest rate risk exposure

	2009	2008
	R	R
Long term receivables	3 972 674	5 030 072
Trade and Other Receivables from Exchange transactions	47 337 792	49 149 740
Other Receivables from Non-Exchange transactions	24 527 278	22 706 694
Bank and cash balances	203 013 980	203 555 875
Maximum credit and interest rate risk exposure	278 851 724	280 442 381

46. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS		2009	2008
		R	R
Short-term Investment Deposits	Fixed deposits - due within 12 months	203 000 000	196 000 000
Bank Balances		-	7 544 895
Petty cash and advances		13 980	10 980
Long-term Receivables	Car Loans	-	46 881
Long-term Receivables	Study Loans	107 150	172 805
Long-term Receivables	Land Sales Debtors	34 065	41 113
Long-term Receivables	Public Assistance Loans	249 320	312 773
Long-term Receivables	Housing Selling Scheme Loans	3 058 210	3 150 196
Trade and Other Receivables from Exchange transactions	Service debtors	44 039 814	45 418 774
Trade and Other Receivables from Exchange transactions	DebtPack Collections	803 816	989 638
Trade and Other Receivables from Exchange transactions	Land Sales	45 478	85 321
Trade and Other Receivables from Exchange transactions	Housing Instalments	1 169 397	1 285 582
Trade and Other Receivables from Exchange transactions	Housing rentals	296 421	308 552
Trade and Other Receivables from Exchange transactions	Sundry Debtors	982 865	1 061 873
Trade and Other Receivables from Exchange transactions	Rates Debtors	6 497 162	6 110 068
Trade and Other Receivables from Exchange transactions	Accrued Income	12 952 311	10 514 929
Other Receivables from Non-Exchange transactions	Government subsidies	-	724 894
Other Receivables from Non-Exchange transactions	Other Debtors	12 557 767	9 532 904
Other Receivables from Non-Exchange transactions	Car Loans	46 643	45 897
Other Receivables from Non-Exchange transactions	Loans Public Organisations	175 226	161 493
Other Receivables from Non-Exchange transactions	Land Sales Debtors	642	2 754
Current portion of Long-term Receivables	Housing Selling Scheme Loans	301 418	1 096 160
Current portion of Long-term Receivables	Operating Leases	107 108	101 663
Operating Lease Assets		286 438 795	284 720 144
Total loans and receivables		286 438 795	284 720 144
Total Financial Assets		286 438 795	284 720 144
SUMMARY OF FINANCIAL LIABILITIES			
Long term liabilities	Local registered stock loans	495 527	546 683
Long term liabilities	Annuity loans	80 757	250 798
Long term liabilities	Finance lease liability	2 418 733	1 982 900
Trade and Other Payables	Trade and Other Payables	45 151 762	25 434 315
Unspent conditional grants and receipts	Unspent conditional grants and receipts	14 321 321	2 915 491
Bank Overdraft	Bank Overdraft	1 098 895	-
Current portion of long term liabilities	Local registered stock loans	160 957	293 493
Current portion of long term liabilities	Annuity loans	239 973	239 972
Current portion of long term liabilities	Finance lease liability	1 503 671	1 409 430
Consumer Deposits	Consumer Deposits	-	-
Operating Lease Liabilities	Operating Leases	79 185	19 654
Total Financial Liabilities		65 550 782	33 092 736

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates	2009	2008
	1%	1%
	R	R
Financial Assets	2 864 388	2 847 201
Financial Liabilities	655 508	330 927
Net effect on surplus (Financial Assets minus Financial Liabilities)	2 208 880	2 516 274

47. CONTINGENT LIABILITY

47.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R5 463 000. One of these claims has been referred to our insurance company for the recovery of R963 000.

47.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R132 835, and council has a right to recovery.

48. EVENTS AFTER THE REPORTING DATE

Two tenders for the traffic department were awarded during the financial year. However, prior to the service level agreements being signed, an investigation was conducted and an official in the traffic department was charged during September 2009. Both tenders have been cancelled and there were no financial implications for Council as the tenderer never commenced due to the Service level agreement not being signed.

During the month of October 2009 several damages to council property was reported due to gale force winds. The amounts of these damages are not yet available seeing as the quotations/tenders are not yet finalised. There will be no probable loss for Council as these damages will most probably be recovered from insurance.

The Eden District was declared a disaster area during November 2009 due to water shortages. An amount of R16,5 million was allocated from National Government for drought relief to Mossel Bay Municipality. A project for the purification of sewerage water is in place. This purified sewerage water will be directed to industrial areas, including Mossgas, in order to have more purified water available for normal household consumption. Council will have to contribute a further R12 million towards this project from own funds.

Note 48: Implication of standards approved but not yet effective:

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires <i>inter alia</i>, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix C, D, (E1) and (E2).</p>
GRAP 21	Impairment of non-cash-generating assets	Entire Standard	N	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 21
GRAP 23	Revenue from Non-Exchange transactions	Entire standard	N	No adjustments to the AFS are required as the municipality already complies with the requirements of GRAP 23

GRAP 24	Presentation of Budget Information in the Financial Statements	Entire Standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to budgeted information are met.</p> <p>Budgeted information is currently disclosed under Appendix (E1) and (E2) and statement of financial performance.</p> <p>Additional disclosure notes should however be disclosed to comply with GRAP 24.</p>
GRAP 26	Impairment of cash generating assets	Entire Standard	N	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 26
GRAP 103	Heritage assets	Entire Standard	N	Additional disclosure will be done on all Heritage assets identified.

APPENDICES

Appendix A: Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009							
External loans	Loan number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Unamortised discount on loans	Balance at 30 June 2009
			R	R	R		R
STOCK LOANS							
Stock loan @ 8.00%	3/82	2007/12/31	-	-			-
Stock loan @ 16.75%	-	2008/12/31	132 000	-	132 000		-
Stock loan @ 8.00%	1/84	2008/12/31	183	-	5 000	4 817	-
Stock loan @ 12.50%	1/93/94	2009/03/13	41 740	-	41 740		-
Stock loan @ 15.00%	1/89/90	2009/12/31	4 704	-		(2 992)	1 712
Stock loan @ 14.75%	1/92/93	2009/06/29	42 765	-			42 765
Stock loan @ 15.00%	1/97	2012/12/31	10 603	-		(1 694)	8 909
Stock loan @ 15.00%	2/97	2012/12/31	5 507	-		(880)	4 627
Stock loan @ 15.00%	1/99	2013/12/31	4 165	-		(433)	3 732
Stock loan @ 15.00%	2/99	2015/12/31	92 500	-			92 500
Stock loan @ 15.00%	2/2000/01	2015/11/01	13 538	-			13 538
Stock loan @ 15.00%	1/2000/01	2015/07/20	92 308	-			92 308
Stock loan @ 15.00%	4/2000/01	2016/03/01	13 847	-			13 847
Stock loan @ 15.00%	1/2001/02	2016/10/01	178 462	-			178 462
Stock loan @ 15.00%	2/2001/02	2016/10/01	36 924	-			36 924
Stock loan @ 15.00%	1/2002/03	2018/03/07	61 539	-			61 539
Stock loan @ 12.00%	2/2003/04	2018/10/31	30 714	-			30 714
Stock loan @ 12.00%	1/2003/04	2018/09/18	78 676	-		(3 770)	74 907
Total long-term loans			840 175	-	178 740	(4 952)	656 484
ANNUITY LOANS							
Eden District Municipality @ 0.00%	-	2009/08/31	267 436	-	162 933	38 110	142 612
Eden District Municipality @ 0.00%	-	2012/02/28	223 334	-	77 039	31 824	178 119
Total annuity loans			490 770	-	239 972	69 933	320 731
FINANCE LEASES							
Rentworks Africa			264 692	1 811 113	496 941		1 578 864
Fleet Africa			2 998 010		746 179		2 251 830
Nashua			129 630	27 831	65 750		91 710
Total finance leases			3 392 331	1 838 944	1 308 870	-	3 922 404
TOTAL EXTERNAL LOANS			4 723 276	1 838 944	1 727 583	64 981	4 899 619
						Carrying value of PPE	Other costs in accordance with the MFMA
						R	R

1 523 141

1 730 839

73 523

3 327 503

-

3 327 503

-

Appendix B: Analysis of PPE

ANALYSIS OF PPE AS AT 30 JUNE 2009													
	Cost/valuation					Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Change in Useful lives	Closing balance		
Land & Buildings													
Land	300 693 163				300 693 163							300 693 163	
Buildings	120 611 175		3 915 698	79 665	124 447 208	25 322 149	4 136 085		18 810	(41 631)	29 397 794	95 049 414	
	421 304 338	-	3 915 698	79 665	425 140 371	25 322 149	4 136 085	-	18 810	(41 631)	29 397 794	395 742 576	-
Infrastructure													
Drains	-	30 726 955			30 726 955							30 726 955	
Roads	107 745 518	6 572 843	16 135 865		130 454 226	40 967 675	2 710 232					43 677 907	86 776 319
Beach improvements													
Sewerage mains & Purif	79 422 825	8 038 066	9 904 870		97 365 761	29 572 504	2 481 782					32 054 286	65 311 475
Electricity mains	95 346 785	722 518	11 597 482		107 666 785	35 104 813	2 299 974					37 404 788	70 261 997
Electricity peak load equipment	943 601	9 499 769	8 521 908		18 965 278	5 528	158 554					164 082	18 801 196
Water mains & purification	17 893 438	40 167 106	-		58 060 544	6 385 150	646 889					7 032 038	51 028 505
Reservoirs - water	45 786 757	-	-		45 786 757	13 565 222	761 900					14 327 122	31 459 635
Water meters	-	-	-		-	-	-					-	-
Water mains	44 444 479	862 022	-		45 306 500	20 360 557	734 485					21 095 043	24 211 458
	391 583 403	96 589 278	46 160 125	-	534 332 806	145 961 449	9 793 816	-	-	-		155 755 265	378 577 541
Community assets													
Parks & gardens	2 618 134		718 604		3 336 738	634 636	149 025					783 661	2 553 077
Libraries	3 273 141		-		3 273 141	704 680	109 105					813 784	2 459 356
Recreation grounds	12 058 475		190 913		12 249 388	2 374 275	570 519					2 944 794	9 304 594
Civic buildings	52 120 301		3 500		52 123 801	8 845 449	1 730 440					10 575 889	41 547 912
	70 070 051	-	913 017	-	70 983 068	12 559 039	2 559 089	-	-	-		15 118 128	55 864 939
Heritage assets													
Historical buildings	-	-	-		-	-	-					-	-
Painting & art galleries	-	-	-		-	-	-					-	-
	-	-	-		-	-	-					-	-
Total carried forward	882 957 792	96 589 278	50 988 840	79 665	1030 456 244	183 842 638	16 488 990	-	18 810	(41 631)	200 271 188	830 185 056	-

Appendix B: Analysis of PPE (continues)

Appendix C: Segmental analysis of PPE

SEGMENTAL ANALYSIS OF PPE 30 JUNE 2009														
	Cost					Accumulated depreciation								
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals		Change in Useful lives	Closing balance		
									Depreciation	Impairment losses				
Municipal Manager	3 227 054	-	145 359	146 519	3 225 893	1 325 059	306 850		106 596		(50 431)	1 474 882	1 751 011	
Manager Financial Services	3 090 378	-	917 007	466 259	3 541 126	1 394 612	625 425		395 798		(4 385)	1 619 853	1 921 273	
Manager Technical Services	1 350 550	-	341 533	107 673	1 584 409	598 280	296 538		102 397		(5 645)	786 776	797 633	
Electricity - Administration	2 086 674	-	71 979	188 726	1 969 926	1 035 300	251 379		119 626		(3 897)	1 163 156	806 770	
Electricity - Distribution	101 561 595	10 222 287	13 215 148	34 704	124 964 325	35 692 813	3 017 061		27 454		(4 525)	38 677 895	86 286 430	
Manager Corporate Services	947 783 595	-	1 542 845	647 586	948 678 853	26 221 981	5 310 544		533 516		(88 531)	30 910 478	917 768 375	
Sewerage	81 348 975	8 038 066	10 580 666	158 477	99 809 230	30 416 234	2 767 126		117 420		(6 767)	33 059 174	66 750 056	
Streets and Stormwater	113 002 008	37 299 798	16 995 661	159 634	167 137 833	42 919 106	3 257 975		136 297		(2 027)	46 038 757	121 099 076	
Water	118 546 213	41 029 127	8 899 400	84 612	168 390 128	42 786 638	3 258 861		60 463		(12 662)	45 972 372	122 417 756	
Cleansing Services	5 824 815	-	60 936	13 092	5 872 659	2 546 108	484 135		12 012		(21 590)	2 996 642	2 876 017	
Health Services	2 855 660	-	-	-	2 855 660	822 438	94 855		-		-	917 293	1 938 367	
Parks, Recreation and Sport Groun	16 483 644	-	2 662 229	91 112	19 054 761	4 386 955	1 137 332		54 598		(30 290)	5 439 400	13 615 361	
Beaches, C/ Park and Chalets	20 238 916	-	551 894	145 734	20 645 075	9 698 525	836 917		67 946		(3 883)	10 463 614	10 181 462	
Fire Services	5 103 844	-	870 966	46 282	5 928 529	2 046 957	524 335		23 123		(7 232)	2 540 937	3 387 592	
Public Safety	3 665 024	-	690 771	108 814	4 246 982	917 580	524 661		74 799		(34 578)	1 332 864	2 914 117	
Manager Community Services	8 430 008	-	2 366 728	64 258	10 732 477	1 313 802	672 811		59 628		(22 149)	1 904 836	8 827 641	
TOTAL	1434 598 952	96 589 278	59 913 121	2 463 484	1588 637 868	204 122 390	23 366 804	-	1 891 674	-	(298 590)	225 298 930	1363 338 938	

Appendix D: Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009							
MUNICIPAL DEPARTMENT CLASSIFICATION							
2008	2008	2008	SEGMENT	2009	2009	2009	2009
Actual income	Actual expenditure	Surplus/ (deficit)		Actual income	Actual expenditure	Surplus/ (deficit)	
R	R	R		R	R	R	
37 694 000	35 382 266	2 311 734	Municipal Manager	38 279 361	34 315 497	3 963 865	
719 142	9 974 686	(9 255 544)	Manager Corporate Services	616 608	8 942 378	(8 325 770)	
22 118	1 976 646	(1 954 528)	Socio Economic Plan and Dev	210 891	2 129 928	(1 919 037)	
1 318 289	3 646 054	(2 327 765)	Land and Buildings	1 399 388	5 537 559	(4 138 171)	
453 388	3 450 009	(2 996 622)	Libraries	621 948	4 437 127	(3 815 179)	
44 536 170	11 161 316	33 374 854	Manager Financial Services	49 448 927	8 880 781	40 568 146	
6 220 141	4 241 281	1 978 860	Manager Technical Services	3 038 389	4 445 003	(1 406 614)	
126 821 221	84 145 519	42 675 702	Electricity	156 190 335	124 903 484	31 286 850	
8 294 003	29 344 428	(21 050 425)	Streets	19 873 581	27 990 267	(8 116 686)	
50 179 875	29 234 196	20 945 679	Sewerage	58 569 679	36 948 499	21 621 180	
66 254 731	42 976 452	23 278 280	Water	69 161 403	53 303 149	15 858 254	
886 562	2 192 741	(1 306 179)	Manager Community Services	361 924	3 442 224	(3 080 300)	
5 373 899	6 660 261	(1 286 363)	Caravan Parks and Chalets	6 545 254	7 320 842	(775 588)	
87 381	522 171	(434 791)	Cemeteries	105 117	606 250	(501 133)	
27 556 505	26 851 875	704 630	Cleansing	29 126 233	30 254 703	(1 128 470)	
12 579 926	15 066 062	(2 486 136)	Housing	18 787 586	17 346 613	1 440 973	
7 185 683	18 628 940	(11 443 257)	Public Safety and Rescue Services	9 320 083	22 807 765	(13 487 681)	
294 926	13 390 198	(13 095 272)	Parks and Recreation	158 363	22 538 061	(22 379 698)	
396 477 960	338 845 100	57 632 860	Sub Total	461 815 071	416 150 130	45 664 940	
281 758	420 212	(138 454)	Health (Discontinued operations)	-	-	-	
396 759 718	339 265 313	57 494 406		461 815 071	416 150 130	45 664 940	
	(1 345 526)	1 345 526	Less inter-dep charges			(1 369 313)	1 369 313
396 759 718	340 610 839	56 148 880	Total	461 815 071	417 519 444	44 295 627	

Appendix D: Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009							
GFS CLASSIFICATION							
2008	2008	2008	SEGMENT	2009	2009	2009	2009
Actual income	Actual expenditure	Surplus/ (deficit)		Actual income	Actual expenditure	Surplus/ (deficit)	
R	R	R		R	R	R	
1 427 330	6 164 921	(4 737 591)	Community & Social Services	1 088 990	8 485 601	(7 396 612)	
126 821 221	84 145 519	42 675 702	Electricity	156 190 335	124 903 484	31 286 850	
37 694 000	35 382 266	2 311 734	Executive & Council	38 279 361	34 314 121	3 965 241	
45 255 312	21 213 009	24 042 303	Finance & Admin	50 065 535	15 746 313	34 319 222	
12 579 926	15 066 062	(2 486 136)	Housing	18 787 586	17 346 613	1 440 973	
-	-	-	Other	-	1 376	(1 376)	
7 560 548	9 786 974	(2 226 426)	Planning and Development	4 648 668	14 189 336	(9 540 668)	
7 185 683	18 628 940	(11 443 257)	Public Safety	9 320 083	22 807 765	(13 487 681)	
1 292 296	25 706 616	(24 414 320)	Road Transport	8 176 954	24 376 898	(16 199 944)	
5 668 825	20 050 459	(14 381 634)	Sport and Recreation	6 702 310	29 858 903	(23 156 593)	
27 556 505	26 851 875	704 630	Waste Management	29 127 540	30 254 703	(1 127 163)	
57 181 582	32 872 008	24 309 574	Waste Water Management	70 266 306	40 561 868	29 704 438	
66 254 731	42 976 452	23 278 280	Water	69 161 403	53 303 149	15 858 254	
396 477 960	338 845 100	57 632 860	Sub Total	461 815 071	416 150 130	45 664 940	
281 758	420 212	(138 454)	Health (Discontinued operations)	-	-	-	
396 759 718	339 265 313	57 494 406		461 815 071	416 150 130	45 664 940	
	(1 345 526)	1 345 526	Less inter-dep charges		(1 369 313)	1 369 313	
396 759 718	340 610 839	56 148 880	Total	461 815 071	417 519 444	44 295 627	

Appendix E (1): Actual VS Budget (Revenue + Expenditure)

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009					
REVENUE	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	44 142 322	44 749 827	(607 505)	-1.4%	
Property rates - penalties imposed & collection charges	2 083 719	2 212 540	(128 821)	-5.8%	
Service charges	254 888 753	253 332 606	1 556 147	0.6%	
Rental of facilities & equipment	1 645 265	1 741 264	(95 999)	-5.5%	
Interest earned - external investments	26 876 842	22 856 167	4 020 675	17.6%	Due to a more favourable cash flow and grants received for Flood Damages more interest were received for the year.
Interest earned - unamortised discount	1 296	1 296	(0)	0.0%	
Interest earned - outstanding debtors	413 920	448 794	(34 874)	-7.8%	
Fines	4 910 305	4 076 208	834 097	20.5%	Provision was made for Accrued income on unpaid Traffic Fines as at 30 June 2009 to the amount of R575 000 which was not taken into consideration in the Adjustment Budget for the year.
Actuarial gains	6 625 714	-	6 625 714		
Licences and permits	4 241 681	4 062 321	179 360	4.4%	
Government grants and subsidies	70 981 263	81 052 058	(10 070 795)	-12.4%	Housing Topstructures: Not all funding received from Housing Dept as was budgeted for. Funding from Petro SA for Rehabilitation of River Mouths and Deforestation not realised Contributions from Land Sales and External Services did not realise, due to the fact that several properties were sold but the money will only be received after registration in the deeds office and signing of contract. The budgeted contributions for R13,9 million from the Accumulated Surplus was not necessary seeing as the municipality had an operating surplus for the 2008/09 year.
Other income	30 192 026	53 759 367	(23 567 341)	-43.8%	Connection Fees budget not realised, because of the change in economic climate. Fewer houses were build and therefor had less income for connection of electricity and water.
Public contributions, donated/contributed PPE	2 574 513	4 029 183	(1 454 670)	-36.1%	
Total Revenue	449 577 617	472 321 631	(22 744 014)	-4.8%	
EXPENDITURE					
Employee-related costs	127 640 232	126 582 406	1 057 826	0.8%	
Remuneration of Councillors	5 427 079	5 477 654	(50 575)	-0.9%	
Bad debts	12 332 565	18 604 033	(6 271 468)	-33.7%	The municipality has written off bad debts to the amount of R14,7m during the 2008/09 year, which contributed to the actual bad debt provision being less than the budget.
Collection costs	3 858 770	4 795 350	(936 580)	-19.5%	Due to the fact that Bad debt to the amount of R14,7m was written off during the year, the use of contractors to collect these funds was reduced.
Depreciation	22 913 742	7 571 387	15 342 355	202.6%	Included in the budget amount is the offsetting of depreciation which are not subtracted from the actual depreciation anymore, due to a change in accounting policy. (Also refer to note 36 - Change in Accounting Policy)
Amortisation - Intangible Assets	154 471	170 037	(15 566)	-9.2%	
Actuarial loss	1 410 476	-	1 410 476		
Repairs and maintenance	34 032 658	39 489 627	(5 456 969)	-13.8%	Due to the fact that the funding from Petro SA for Rehabilitation of River mouths (R2m) and Deforestation (R2,5m) did not realise, the expenditure could not take place. Petro SA will manage these projects themselves. The municipality also replaced a lot of its computers (finance lease) during the year and therefor was not necessary to do as much repairs.
Interest paid	786 935	436 374	350 561	80.3%	Finance leases was previously capitalised without VAT and must be VAT inclusive. The correction of the interest had an effect on the overspending.
Bulk purchases	92 789 002	88 212 000	4 577 002	5.2%	
Contracted services	19 230 387	20 785 413	(1 555 026)	-7.5%	
Grants and subsidies paid	3 010 247	3 373 341	(363 094)	-10.8%	An amount of R550 000 was budgeted for Public Donations, only R285 733 was spent. This is due to the fact that not all applications qualified in accordance with the stipulations of the MFMA.
General expenses - other	81 433 911	155 609 074	(74 175 163)	-47.7%	An amount of R36 million was budgeted for the transfers for Capital Grants, Land Sales and Ext. services to the reserves, which did not realise due to a change in accounting policy regarding the Reserves. (Also refer to note 36 - Change in Accounting Policy). An amount of R27,4 million was provided for a contribution to the CRR in the budget, which was transferred through the Statement of Changes in Net Assets and not as a direct contribution. An amount of R8 million for Housing topstructure was not received from the Housing Department and the expenditure could therefor not realise.
Total Expenditure	405 020 474	471 106 696	(66 086 222)	-14.0%	
Gain on disposal of Property, Plant & Equipment	125 766	84 959	40 807	48.0%	
Loss on disposal of Property, Plant & Equipment	(387 283)	(420 159)	32 876	-7.8%	
Surplus for the year from discontinued operations	-	-	-		
NET SURPLUS/(DEFICIT) FOR THE YEAR	44 295 627	879 735	43 415 892	4935.1%	

Appendix E (2): Actual VS Budget (Acquisition of PPE)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2009							
	2008 Actual R	2008 Total Additions R	2008 Under construction R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of significant variances greater than 5% versus budget
Land and Buildings							
Land	-	-	-	-	-	-	
Buildings	3 915 698	3 915 698	-	4 513 151	597 453	13.24%	R1.5 million received for Multi-Purpose centre from Dept of Social Development during March 2009. These funds was supposed to be received in the 2009/10 year according to DORA.
	3 915 698	3 915 698	-	4 513 151	597 453	13.24%	
Infrastructure							
Drains	18 056 744	-	18 056 744	18 758 153	701 409	3.74%	
Roads	12 784 656	8 090 067	4 694 590	16 637 168	3 852 512	23.16%	Flood damage funds only received in February 2009, unspent grants roll-over to 2009/10 budget year.
Beach improvements	-	-					
Sewerage Mains & Purif	11 376 253	3 589 852	7 786 401	12 739 048	1 362 795	10.70%	
Electricity Mains	12 319 999	11 597 482	722 518	12 320 000	1	0.00%	
Electricity peak load equip	13 920 986	8 521 908	5 399 078	14 225 110	304 124	2.14%	
Water mains & purification	17 428 286	-	17 428 286	18 350 360	922 074	5.02%	
Reservoirs - Water	-	-					
Water meters	-	-					
Water mains	862 022	-	862 022		(862 022)		
	86 748 947	31 799 308	54 949 639	93 029 839	6 280 892	6.75%	
Community Assets							
Parks & Gardens	718 604	718 604	-	952 310	233 706	24.54%	
Libraries	-	-	-	-	-	-	
Recreation grounds	190 913	190 913	-	232 380	41 467	17.84%	
Civic buildings	3 500	3 500	-	3 500	-	0.00%	
	913 017	913 017	-	1 188 190	275 173	23.16%	
Heritage assets							
Historical buildings	-	-	-	-	-	-	
Painting & art galleries	-	-	-	-	-	-	
Total carried forward	91 577 662	36 628 023	54 949 639	98 731 180	7 153 518	7.25%	

Appendix E (2): Actual VS Budget (Acquisition of PPE) continued

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2009							
	2008 Actual R	2008 Total Additions R	2008 Under construction R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of significant variances greater than 5% versus budget
Total brought forward	91 577 662	36 628 023	54 949 639	98 731 180	7 153 518	7.25%	
Housing rental stock							
Housing rental 1	-	-	-	-	-		
Housing rental 2	-	-	-	-	-		
Leased assets (Infrastructure)							
Leased assets (Infrastructure)	1 838 944	1 838 944	-	1 454 373	(384 571)	-26.44%	Finance leases was previously capitalised without VAT and must be VAT inclusive. The budgeted amount did not include the VAT portion to be capitalised.
	1 838 944	1 838 944	-	1 454 373	(384 571)	-26.44%	
Other assets							
Landfill sites	-	-	-	-	-		
Office equipment	4 148 789	4 148 789	-	4 320 509	171 720	3.97%	
Furniture & fittings	175 195	175 195	-	175 195	0	0.00%	
Bins & containers	-	-	-	-	-		
Emergency equipment	-	-	-	-	-		
Motor vehicles	2 646 322	2 646 322	-	2 646 657	335	0.01%	
Fire engines	-	-	-	-	-		
Refuse tankers	-	-	-	-	-		
Computer equipment	115 031	115 031	-	119 100	4 069	3.42%	
Councillors regalia	-	-	-	-	-		
Conservancy tankers	-	-	-	-	-		
Watercraft	-	-	-	-	-		
	7 085 338	7 085 338	-	7 261 461	176 123	2.43%	
Non PPE							
Investment Properties	-	-	-	-	-		
Intangible Assets	-	-	-	-	-		
Agricultural Assets	-	-	-	-	-		
Total	100 501 944	45 552 305	54 949 639	107 447 014	6 945 070	6.46%	

Appendix F: Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
GRANTS AND SUBSIDIES RECEIVED												
Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS												
EQUITABLE SHARE	NATIONAL	-	7,059,309	7,706,290	8,824,137	-	5,685,678	9,577,089	5,557,603	2,769,367	-	0
FINANCE MANAGEMENT GRANT	NATIONAL	469,139	500,000	-	-	-	342,961	-	11,086	360,724	-	254,369
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	380,425	400,000	-	-	-	-	-	-	715,646	-	64,779
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	243,674	1,310,658	2,821,298	9,025,500	15,664,545	167,813	3,973,740	7,847,765	10,344,287	-	6,732,070
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Housing	1,292,214	-	1,632,597	10,804,164	6,090,250	7,982	2,526,387	284,620	11,630,751	-	5,369,485
MAINTENANCE OF PROCLAIMED ROADS	PAWC	-	-	-	-	810,860	-	810,860	-	-	-	-
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	-	125,326	125,326	250,651	-	153,833	159,677	133,949	53,844	-	0
DROUGHT RELIEF GRANT	Department of Water Affairs and Forestry	-	2,828,000	-	-	-	5,717	547,976	760,083	1,514,223	-	-
MULTI-PURPOSE CENTRE	Department of Social Development	-	-	-	1,500,000	-	-	-	-	-	-	1,500,000
LGWSETA SKILLS DEVELOPMENT	LGWSETA	409,357	97,125	-	354,471	-	49,619	99,320	38,327	418,561	-	255,126
SPATIAL PLANNING	PAWC	50,448	-	-	-	-	-	-	31,000	19,448	-	(0)
MASIBAMBANI PROJECT	NATIONAL	-	175,000	-	196,000	-	6,805	4,978	15,594	264,016	-	79,607
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES		70,233	157,761	422,401	20,000	76,188	493,653	17,318	48,212	121,514	-	65,885
TOTAL GRANTS		2,915,491	12,653,178	12,707,912	30,974,924	22,641,842	6,914,060	17,717,345	14,728,240	28,212,382	-	14,321,321

Appendix F: Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

Appendix F: Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of Project	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
OPERATIONAL GRANTS												
KWA/ELANGENI - PHP PROJECT (TOPSTRUCTURES)	Department of Housing	1,255,779			10,775,544			1,452,905	132,725	7,218,547		3,227,146
GBR/WOLWEDANS PROJECT (TOPSTRUCTURES)	Department of Housing			49,333		5,236,792			49,333	3,773,125		1,463,667
LGWSETA SKILLS DEVELOPMENT	SETA	409,357	97,125		354,471		49,619	99,320	38,327	418,561		255,126
FINANCE MANAGEMENT GRANT	NATIONAL	469,139	500,000				342,961		11,086	360,724		254,369
EQUITABLE SHARE - ALL	NATIONAL		7,059,309	5,294,482	8,824,137		5,685,678	7,165,281	5,557,603	2,769,367		0
ADDITIONAL EQUITABLE SHARE - ELECTRICITY BULK PURCHASES	NATIONAL			2,411,808				2,411,808				-
RELIEF CHARITABLE FUND	Public Contribution	32,351	1,000	52,400	20,000	15,000	3,370	14,292	5,766	31,438		65,885
SUBSIDY NEWS LETTERS - M-Bay	PAWC - Culture Affairs & Sport					2,388	781	1,129	478			(0)
SUBSIDY NEWS LETTERS - D'Almeida	PAWC - Culture Affairs & Sport					2,453	473	432		1,549		-
SUBSIDY NEWS LETTERS - G/Brak	PAWC - Culture Affairs & Sport					760			760			-
SUBSIDY NEWS LETTERS - Greenhaven	PAWC - Culture Affairs & Sport					585			557	28		0
SUBSIDY NEWS LETTERS - Hartenbos	PAWC - Culture Affairs & Sport					971	253	150	239	329		-
SUBSIDY NEWS LETTERS - Kwanonqaba	PAWC - Culture Affairs & Sport					2,531	392	1,006	253	880		-
SUBSIDY MAIN ROADS	PAWC					810,860		810,860				-
FLOOD DAMAGE - CLEANSING BEACHES	District Municipality (R26400) + Petro SA (R4000000)		28,709	326,693			326,693			28,709		-
SPATIAL PLANNING	PAWC	50,448							31,000	19,448		(0)
HOME OWNERS EDUCATION	Department of Housing	36,435			28,620	27,000	971	5,011	12,164	47,260		26,648
SOCIO-ECON. PLANNING/DEVELOPMENT	District Municipality	37,882					37,882					-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	PAWC	380,425	400,000							715,646		64,779
YOUTH DAY DONATIONS	PETRO SA / BRIESIES / PINNACLE POINT					51,500	133	310	2,500	48,558		-
REPAIR WATER LEAKAGES	Masibambani		175,000		196,000		6,805	4,978	15,594	264,016		79,607
TEMPORARY CASUAL STAFF - Great Brak Library	PAWC - Culture Affairs & Sport		44,760				24,924	14,179	5,656			(0)
TEMPORARY CASUAL STAFF - Greenhaven Library	PAWC - Culture Affairs & Sport		63,289				16,333	16,078	15,822	15,057		-
TEMPORARY CASUAL STAFF - Hartenbos Library	PAWC - Culture Affairs & Sport		17,277	88,404			16,333	20,517	38,975	29,855		0
TEMPORARY CASUAL STAFF - Mossel Bay Library	PAWC - Culture Affairs & Sport			36,922	208,085		86,764	89,890	68,353			-
TEMPORARY CASUAL STAFF - D'Almeida Library	PAWC - Culture Affairs & Sport				31,112		8,677	8,422	5,082	8,932		-
BUILDING MAINTENANCE - Kwa'honqaba Library	PAWC - Culture Affairs & Sport				11,454		802	10,591	61			0
TOTAL OPERATING GRANTS		2,671,816	8,386,469	8,260,042	20,449,424	6,150,839	6,609,843	12,127,157	5,992,335	15,752,028	-	5,437,227
GRAND TOTAL		2,915,491	12,653,178	12,707,912	30,974,924	22,641,842	6,914,060	17,717,345	14,728,240	28,212,382	-	14,321,321

CHAPTER SIX

FUNCTIONAL AREA SERVICE DELIVERY REPORTS

6.1 Civil Engineering Services

DIRECTOR: P J VIVIERS

6.1.1 Overview

6.1.1.1 Structure and Objectives

The primary objective of the Directorate Civil Services is to ensure the provision of basic services such as water, sewerage and roads to all communities in an effective, efficient and sustainable manner. To meet these challenges the Directorate is divided into the following Sub-Directorates to perform the various core functions:

- Operational Engineering Services (streets, roads, storm water, distribution of services).
- Planning, Project Management and Bulk Services (external services, water and sewage purification, developmental aspects).

Mr Viviers was appointed as the new Director for this Directorate and started duty on 1 July 2008.

The Sub-Directorate Town Planning and Building Control, which was part of the Directorate Civil Services, was transformed into a new Directorate in its own right in the course of the 2008/2009 financial year.

6.1.1.2 Staff Complement

The dwindling numbers of skilled, technical people in the municipal environment is a serious concern and every effort should therefore be made to train, develop and retain internal staff to meet the challenges facing service delivery. The average age of technical personnel continues to increase, which does not bode well for the future.

The resignation of the Senior Technician, Project Management, had a detrimental effect on the smooth operation of the department. Other senior personnel had to step in to ensure that projects could be put into operation. This was done with an admirable amount of loyalty, dedication and plain hard work, which ensured that targets were met.

An administrative officer was appointed to help the Directorate keep abreast of affairs in the ever-changing municipal environment.

Due to staff shortages and an increasing number of projects, the Directorate had to rely heavily on the integrity of engineering consultants. It was therefore decided to implement an evaluation system to appoint consultants.

To meet the requirements of the Supply Chain Management Regulations to the Municipal Finance Management Act, No 56 of 2003, with regard to the appointment of consultants, it was also decided to extend the tender for the appointment of consultants for a total of three years in order to speed up project implementation.

6.1.1.3 Strategic Issues

The following are seen as strategic issues for this Directorate:

Training and Development

Due to the shortage of skilled technical personnel, it has become necessary to embark on comprehensive training and development programmes that focus on management and development of personnel.

Service Delivery

With a total amount of about R82 million earmarked for capital projects it was of the utmost importance to distinguish between external versus departmental projects, to appoint consultants and define scopes of work and get projects running. Regular project management meetings were held at which problems were discussed, progress monitored and adjustments decided on.

Blue Drop Initiative

As a result of the deterioration of water quality in primary water sources throughout the whole of South Africa a national initiative called the Blue Drop Initiative was launched by the Government to adjudicate municipal water purification processes. The first adjudication was completed and Mossel Bay performed satisfactorily with its water being declared safe and suitable for drinking.

Water Losses

A major effort, involving the implementation of various strategies, was launched to curb the unaccounted losses of water. These included a maintenance programme for water meters, identifying unmetered usage, the drainage and cleaning of reservoirs and investigating water leakages at indigent households. Funds were obtained from the Department of Water Affairs (Masibambane) to determine specific areas where losses were regarded to be the most significant.

Resealing of Streets

The total length of about 405 kilometers of surfaced roads under the jurisdiction of the Municipality, together with a probable mean lifespan of about seven to ten years between consecutive resealing programmes, requires quite a big amount to be spent on the maintenance of streets annually. This is an important aspect of asset management and R12,5 million was spent on the resealing of roads during 2008/09.

Storm Water Management

In addition to spending about R6,5 million of its own capital on the upgrading of storm water systems the Municipality received a further allocation of R22,67 million in the form of a Municipal Infrastructural Grant (MIG). This grant was made in response to the Municipality's application for financial assistance to effect flood repairs and put storm water management systems in place following the extensive flooding that was experienced in December 2007.

6.1.2 Operational Engineering Services

The Sub-Directorate Operational Engineering Services is responsible for managing existing civil services, which include roads and storm water systems as well as the water distribution and sewer networks. It also includes the approval of service plans for new developments and the general inspection of the installation of these services by developers.

6.1.2.1 Roads and Storm Water

Roads

The table below shows how the roads under the Municipality's control have grown over the past three years:

ROAD TYPES	2006/07	2007/08	2008/9
Paved in km	376	383	392
Gravel in km	37	27	26
Block-paved in km	8	12,7	12,7
Concrete in km	1,2	1,2	1,2

The increase in the length of municipal streets is indicative of the growth of the town. The reduction in the length of gravel roads can likewise be seen as indicative of how effective service delivery is performed.

The proper maintenance of both tarred and gravel roads is a high priority. Ninety-nine per cent of the budget of R10 million for the resealing of streets was spent. A total of 46 km of tarred roads were resealed. An amount of R2,5 million was spent on the budget for the general maintenance of roads (resealing excluded).

An amount of R2,8 million was also spent on rebuilding a total 1,06 km of streets of which the existing surfaces could not be saved.

The following table provides details of households with frontage to gravel streets:

Streets and Storm Water	2007/2008	2008/2009
Households with frontage to gravel street		1 615
Number of houses with frontage changed to tarred street	126	122
Percentage of capital budget spent		98
Percentage of capital budget under spent	No under spending	2

Streets and Storm Water	2007/2008	2008/2009
MIG funding available; amount spent; percentage spent	R310 000 (Wolwedans)	R2 800 00 (KwaNonqaba storm water) R840 000 (Wolwedans roads and storm water)
Areas with houses fronting on gravel streets:		
KwaNonqaba		775
Friemersheim		98
Herbertsdale		173
Sonskynvallei		160
Brandwacht		200
Wolwedans		179
Other		30
Total the number of households with frontage to gravel streets		1615
Amount needed to address backlogs		R65 m needed to tar all gravel roads
Timing when backlogs will be addressed		Continuously

Storm Water

The Hoogekraal storm water structure in Glentana was completed at a total cost of R35,5 million.

This should ensure that damage during future flood conditions is reduced to a minimum.

Repair work and improvements to the following projects have also begun and will be completed in the next financial year:

- Structure at Skuiling Street R2,7 million.
- Seesig Road Ravine R0,5 million.
- Outeniqua Bluff R2,4 million.
- Duiker Avenue R3,6 million.
- Voorbaai/Bayview R2,5 million.

6.1.2.2 Key Performance Areas

Other key performance areas for the Sub-Directorate were:

Storm Water Damage at Hoogekraal, Glentana

This project is regarded as one of the most outstanding projects ever completed by the Municipality on storm water drainage and several articles appeared about the project.

New Kerbs

Certain streets within the Municipality were originally built without kerbs and also functioned as storm water regulators as streets have a secondary function as storm water channels where the depth in which to accommodate the flow depends on the height of kerbs. Kerbs were thus installed in Boggoms Bay at a cost of R30 000 and in D'Almeida at a cost of R325 500.

Tar Arcotis and Vygie Streets – Wolwedans

Vygie Street, one of the main roads in the Wolwedans residential area in Great Brak River with a length of approximately 180 metres was given a permanent surface.

Construction also started on services to some erven along Arcotis Street. This project will run over into the next financial year.

Gleniqua Drive

Glenqua Drive is the main road through Glentana and in a poor condition. The road of 1,6 km is being rebuilt in phases. This first phase comprised 330 metres.

This project received an allocation of R1 million in the previous financial year. It is still ongoing on the current municipal budget to the extent of R1,5 million.

6.1.2.3 Operating Budget

The 2008/2009 operating budget of the Sub-Directorate was as follows:

- Streets and Storm Water R25,05 million.
- Water Network R46,87 million.
- Sewer Network R36,66 million.

The maintenance cost budget of the Sub-Directorate over the past three financial years is shown below:

	BUDGET 2006/2007	BUDGET 2007/2008	BUDGET 2008/2009
Streets and Storm Water	R12 080 000	R15 646 000	R14 354 000
Water Network	R605 500	R648 500	R790 000
Sewer Network	R334 000	R544 000	R574 000

6.1.2.4 Water and Sewer Networks

Older water and sewer pipes consisting of fibre cement are being replaced regularly with uPVC pipes as more breakages occur the older the pipes become. Certain sewer pipes also become oval under earth pressure and therefore need to be replaced.

Projects undertaken in this regard amounted to R0,6 million in the year under review. A further R0,9 million will be spent in the new financial year.

Activities

The following table provides details of activities with regard to the water and sewer networks:

WATER	2006/2007	2007/2008	2008/2009
New connections	508	489	287
Burst pipes repaired	173	175	134
SEWERAGE			
New connections	289	282	147
Blockages opened	2 568	2 541	3 251

The decline in the number of new water connections can be attributed to the current economic downswing.

Households without Water on Site

The table below provide details of households that did not have water on site:

Water	2007/2008	2008/2009
Households that did not have water on site	553 (StatisticsSA)	800 (excluding 2 800 backyard dweller units)
Number of houses that got water on site	19 703 (StatisticsSA)	25 513
Percentage of capital budget spent		99
Percentage of capital budget under spent		1
MIG funding available; amount spent; percentage spent	R1 100 000 (Asazani/Izinyoka bulk water lines)	R6 123 617
Names as well as details of areas with backlogs	KwaNonqaba, Asla, Joe Slovo	KwaNonqaba, Asla, Joe Slovo

Water	2007/2008	2008/2009
Amount needed to address backlogs	R8,8 million	R14 million
Timing when backlogs will be addressed		5-year plan

6.1.2.5 Sanitation

Sanitation is posing its quota of problems in the form of new informal settlements appearing in disorderly fashion throughout existing poorer developments.

This resulted in the erection of temporary toilet structures, resulting in the handing out of 603 night soil buckets that are serviced on a weekly basis (average twice a week). These quantities are similar to previous years.

It is not possible to determine exactly when the bucket system will be eradicated due to the fact that the supply of formal housing cannot keep up with the increasing demand.

The Municipality is busy drawing up a policy on informal housing in order to address service delivery issues such as bucket removals and water taps.

Households Dependent on Bucket System

The following table provides details of households dependent on the bucket system:

SANITATION	2007/2008	2008/2009
Households dependent on bucket system or non-existent sanitation: - Great Brak River - Powertown - Joe Slovo - Bartelsfontein - Tos se Plaas	260 (Statistics SA) 760 (none) (StatisticsSA) 441 59 80 7 16	
Total number of buckets collected on a weekly basis.		603
Number of houses provided with sanitation	19 200 (StatisticsSA)	19 200
Percentage of capital budget spent		94
Percentage of capital budget under-spent		6

SANITATION	2007/2008	2008/2009
MIG funding available; amount spent; percentage spent	R1 380 000 (Great Brak River sewer treatment works Phase 2)	R3 150 000 (Asazani/Izinyoka bulk sewer system) R350 000 (Bucket eradication)
Names as well as details of areas with backlogs	KwaNonqaba, Asla Park, Joe Slovo	KwaNonqaba, Asla Park, Joe Slovo
Amount needed to address backlogs		-
Timing when backlogs will be addressed		5-year plan

6.1.3 Planning, Project Management and Bulk Services

3.1.3.1 Project Management

A total of 97 per cent of the amount of R60,75 million budgeted for the 2008/2009 financial year in respect of projects to be managed by this Sub-Directorate was actually spent.

This excludes the management and control of several civil engineering infrastructure works in housing projects such as at the Wolwedans housing project, and civil engineering work sponsored by PetroSA.

Extended Public Works Programme (EPWP) projects to the value of R13,51 million were completed by six Vukuphile learner contractors by the end of June 2009. These projects were termed as exit strategy projects as they constituted the final phase of this training programme. The programme was chosen as a Southern Cape finalist in the regional excellence awards of the national competition of the South African Institute of Civil Engineering (SAICE).

PROJECT	COST (R)
Little Brak River: Enlarge water treatment plant from 30ML to 45ML	17 428 286
Asazani/Izinyoka: New bulk sewer system to accommodate further expansion of the residential area.	4 995 691
New kerbs and storm water systems in KwaNonqaba	3 492 735
New boreholes and reservoir at Herbertsdale	3 444 401
Mossdustria sewer pipe line to Pinnacle Point sewer plant to by-pass Dana Bay	2 415 592

PROJECT	COST (R)
Storm water management Wolwedans to prevent flooding of houses	2 220 020
Great Brak River: Arcotis Road: Provide services for township development in road, water and sewer	1 800 000
Great Brak River: Surface Vygie Street	1 366 161
New network pipe lines as per master plan: Fraaiuitsig	913 172
Greenhaven: Marigold Street storm water	644 442
Upgrade sandfilters at waterworks	612 482
New grinder/screening at Voorbaai pump station	515 762

6.1.3.2 Bulk Services: Sewage

This Sub-Directorate is responsible for the operation of all sewerage pump stations and bulk effluent pipe lines as well as all six effluent purification plants.

The Sub-Directorate employed 37 people at a cost of R3,95 million in the 2008/2009 financial year.

Areas such as Midbrak and Great Brak River are serviced by closed septic tank systems which are cleaned regularly by local private contractors. This Directorate is, however, still attempting to achieve the upgrading of the main arteries of a system according to the sewer master plan. This will enable any new developments as well as existing residential units to connect to full water-borne systems over the next few years.

Almost all of the formally developed areas in the old Mossel Bay area are serviced by water-borne, flush sanitation systems.

A strategic objective of this section is the protection of the environment, which is influenced by the operations from all waste water plants and sewer pump stations.

The key issues for the 2008/2009 financial year were:

- The expansion of telemetry control systems for the monitoring of sump levels and pump stations received further attention to allow for better control from any of several of the computers on this system. An amount of R440 000 was spent in this regard.
- Provision of capacity in municipal lines and systems to Hartenbos by leading Heiderand and KwaNonqaba effluent to the Pinnacle Point sewer plant at a cost of approximately R5 million.
- Relocation of the industrial effluent lines at present running through Dana Bay under gravity by replacing the system with a pump system running parallel to the N2 and Louis Fourie Road. R2,4 million was spent as a first phase. The project will continue in the new financial year at a further cost of R5,7 million.

6.1.3.3 Bulk Services: Water

This activity involves the storing, bulk purchase, purification and distribution of potable water, and includes all storage dams, pump stations, main water lines to and from all purification facilities, up to the reservoirs.

In the financial year up to 30 June 2009, a total of 50 people were associated with the water distribution function. The personnel operational cost of this function was R8, 62 m for this period.

The key issues for the 2008/2009 financial year were:

- Continuation of the upgrading of the Little Brak River water purification plant from a 30 megalitre plant to a 45 megalitre plant. This upgrading became necessary because of the high seasonal peak demand in December and January. This project was spread over two financial years due to the limits placed by the National Treasury on capital budget increases.

The budgeted expenditure of R17 million for the financial year was achieved and together with the completion phase of work will take the total project cost to R45, 5 million.

- The improvement of telemetry control systems for monitoring and control of reservoir levels and pump workings. This will improve monitoring control from any of the 24-hour manned water and sewer treatment plants.

Dish systems were installed to handle large volumes of communication. At some remote sites some closed-circuit television cameras were installed. This will be used to monitor illegal dumping at effluent treatment plants as well as a deterrent against vandalism and burglaries.

- Water restrictions were implemented at the end of the year due to the continuing drought. Two of the three reservoirs supplying water to the Municipality were decommissioned due to low water levels.
- The level of the Wolwedans dam, the primary source dam, continued to drop and was down to less than sixty per cent at the end of the financial year.

Water Purification and Sales

This unit functioned well during the overview period, as can be seen from the extract from the water audit below. The table reflects total purification volumes in kilolitres:

	2006/07	2007/08	2008/09
Raw Water	10 438 382	10 703 773	11 345 999
Water Purified	9 504 583	9 664 171	9 789 899
Sales	7 614 104	7 426 089	8 328 385
Sewerage Purified	4 066 050	4 080 976	4 325 835

It is believed that there was a much smaller water loss due to the successful expansion of the telemetry measuring devices and computer systems.

Water Quotas

The Municipality draws water from raw water sources according to quotas granted by the Department of Water Affairs. The table below reflects the current quotas:

SOURCE	QUOTA m3/a	CONSUMPTION m3/a	AVAILABLE m3/a	AVAILABLE %
Little Brak River	11 800 000	8 060 909	3 739 091	32%
Great Brak River	1 280 000	1 048 524	231 476	18%
Sandhoogte	1 745 304	1 369 526	375 778	22%
Friemersheim Canal	230 000	59 571	170 429	74%
Herbertsdale Boreholes	95 000	66 211	28 789	30%

Even though it seems that spare capacity was available from these sources, most of the balance between the quotas and actual consumption has already been allocated to new developments that are still under construction or have been approved.

New water sources have to be developed soon.

The table below shows the percentage domestic consumption in the various consumption ranges over the past four financial years.

MONTHLY VOLUME	2005/06	2006/07	2007/08	2008/09
0-6kl	26%	26%	27%	26%
7-30kl	42%	42%	45%	44%
31-45kl	9%	9%	9%	11%
46-60kl	5%	5%	5%	5%
61-80kl	4%	4%	4%	4%
>80kl	14%	14%	10%	11%

The distribution of water consumption has been fairly steady over the different categories, except for the >80kl category which dropped significantly.

This can be attributed to the effect of the differential water rates, based on consumption, which the Municipality introduced to curb excessive consumption.

Percentage Distribution of Water Consumption

The table below shows the percentage distribution of water consumption per category:

CATEGORY	2005/06	2006/07	2007/08	2008/09
Domestic	73%	70%	71%	70%
Bulk 1000 KI	9%	6%	11%	10%
> 25 mm connection	11%	11%	9%	11%
Departmental consumption	2%	6%	2%	3%
PetroSA	1%	0%	2%	3%
Sports bodies	1%	1%	1%	1%
Consumption alone	1%	1%	1%	1%
Vleesbaai Services	1%	1%	1%	1%

6.1.3.4 Capital Projects

Upgrading of the Little Brak River Water Purification Plant

As was mentioned in 6.1.3.3 above, the second phase of the upgrading of the Little Brak River water purification plant went as planned, with the completion date set for the 2009/2010 financial year.

This upgraded plant should be sufficient for the next ten years at a population growth of 6 per cent per year.

Herbertsdale Reservoir

Funds obtained from the Department of Water Affairs towards drought relief were used to drill several holes in the old river bed at Herbertsdale to supplement water supply to this community.

Water obtained through this project has increased the water supply to the town to a large extent, but actual refill rates in the aquifers will only be confirmed over time.

It will only be possible after about a year to estimate the quantity of water available for the expansion of the town with a high level of certainty.

6.1.3.5 EPWP Capital Projects

The Municipality accommodated EPWP (Expanded Public Works Programme) learner contractors.

The table below shows the names of the contractors and projects completed by each during 2008/2009:

LEARNER	ENGINEER	PROJECT	TENDER VALUE	SOURCE*
Vigro	Ninham Shand	Asazani/Izinyoka sewer rising line	R1 931 426,51	CRR/MIG
Vuicani	Ninham Shand	Asazani/Izinyoka sewer rising line	R1 842 018,55	CRR/MIG
Raakvat	Ninham Shand	Asazani/Izinyoka sewer rising line	R1 659 565,24	CRR/MIG
Smetana	Ninham Shand	Great Brak River roads and storm water	R4 596 864,00	CRR/MIG
Ziyanda	PD Naidoo	KwaNonqaba storm water	R1 740 085,00	MIG
Abenyyuki	PD Naidoo	KwaNonqaba storm water	R1 740 086,00	MIG

*CRR = Capital Replacement Reserve; MIG = Municipal Infrastructure Grant.

EPWP Road Construction Projects

The EPWP learners completed three main road construction projects during this period.

The Wolwedans II entrance road was completed and Vygie Street was built. Extra work was financed from the municipal flood allocation funds mentioned earlier.

The second phase of roads in the Toekoms township was paved with funds provided by PetroSA.

6.1.3.6 MIG Expenditure

Municipal Infrastructural Grants (MIG) available for the 2008/09 financial year amounted to R7 060 228,78. All the money was spent on time, in accordance with the Municipality's budget.

The MIG funds are an important source of funding for infrastructural projects, *inter alia* because of the burden already carried by the ratepayers of Mossel Bay.

State funding for sub-economic housing projects also does not cover the high cost of providing bulk services and other infrastructure for these projects.

The cash flow predictions, actual expenditure by the Municipality, claims submitted to Province, claims substantiated by Province and the receipt of funding from Province are included in the following table:

MONTH	ALLOCATION	CLAIMS	CUMULATIVE ALLOCATION	CUMULATIVE CLAIMS
July 08	-	R542 489	R907 000	R1 092 066
August 08	R1 326 500	R492 057	R2 233 500	R1 584 123
September 08	R785 000	-	R3 018 500	R1 584 123
October 08	-	R171 580	R3 018 500	R1 755 703
November 08	R2 067 000	R951 225	R5 085 500	R2 706 929
December 08	R752 500	-	R5 838 000	R2 706 929
January 09	R718 000	R1 178 729	R6 556 000	R3 885 658
February 09	R505 228	R1 041 321	R7 061 228	R4 926 979
March 09	-	R2 134 249	R7 061 228	R7 061 228
April 09	R66 220	0	R66 220	0
May 09	-	0	R66 220	0
June 09	R1 500 000	R6 123 617	R1 566 220	R6 123 617

6.2. Community Services

DIRECTOR: C B PUREN

6.2.1 Overview

The Directorate: Community Services is responsible for the Municipality's function relating to the health and welfare of the community. It is also responsible for ensuring a clean and healthy environment as well as public safety and rescue services. The management of sport and recreation facilities and other amenities also form an important part of the Directorate.

The Directorate performs its duties through the following functional areas:

- Community Safety.
- Environment, Horticulture, Sport and Recreation.
- Fire and Rescue Services and Disaster Management.
- Housing.
- Traffic Services.
- Waste Management and Pollution.

In order to fulfil its mandate, various objectives were set for this Directorate through Council's Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP). Council also drastically increased funding over the last two financial years with a view to increasing and enhancing Mossel Bay's tourism profile.

The following is a brief overview of the objectives as well as the successes which were achieved:

- The Waste Removal Section, the Parks Section and the successful entrepreneurs project contributed largely to the success of reaching the goal of a clean and healthy environment.

The entrepreneurs cleaning project was extended to other areas and the number of jobs created remained the same at 252 at the end of the year. Through this project the Municipality contributed to the alleviation of poverty as well as the improvement of the quality of life of the workers and their families. Financial constraints prevented the programme from being expanded and the number of jobs being increased.

Problems were, however, encountered with illegal dumping. Despite various efforts to educate the communities, the battle against illegal dumping within the residential areas could not be won. New strategies to address this problem are now being investigated.

- Despite the Municipality's best efforts the goal of relocating the waste transfer stations situated in the residential areas could not be achieved as the Provincial Department of Environmental Affairs did not issue a Record of Decision. This matter will continue to be pursued in the new financial year.
- The Elangeni housing project progressed well and 294 of the 327 houses were completed at the end of the year under review. This project will be completed in the near future.

- Apart from a few projects which could not be completed for reasons beyond our control, all capital projects were completed.
- The economic growth that was experienced in recent years brought many benefits to Mossel Bay. It however, also resulted in a major influx of people from other provinces.

This resulted in people squatting illegally on the Municipality's land, which in turn lead to social problems due to the fact that proper services could not be delivered. Various attempts, which proved to be very costly, were made to combat squatting. It was not effective due to legal and financial constraints.

The establishment of a general law enforcement section within the Municipality should help to address this problem in the new year.

Some of the highlights of the year were:

- The position of Manager: Environment, Sport and Recreation, which was vacant for about eighteen months, was filled in October 2008. This resulted in a vast improvement in service delivery.
- At the end of the previous financial year the backlog in the eradication of refuse removal stood at approximately three per cent.

The Municipality successfully extended the service in the 2008/2009 financial year to those areas where the service was not available previously.

- The Harry Giddey Park on Marsh Street has been restored to its former glory with the introduction of a section housing a variety of birds and animals. Several other environmental improvements were also made.

It is now an attraction for old and young. Most of the birds and animals were donated by residents, while volunteers also assisted in making the project a success. Council provided invaluable support and assistance throughout.

- The staff of the Directorate performed their tasks with diligence, sometimes under difficult circumstances.

6.2.2 *Community Safety*

This Sub-Directorate is faced with the challenge to ensure a safe and healthy environment by means of traffic law enforcement and education. To support these functions people are empowered to obtain driver's licences and ensure that legally obtained and roadworthy vehicles are registered.

The department is also involved in crime prevention and the policing of Municipal by-laws.

6.2.2.1 *Vehicle Registrations*

Despite the economic pressure in the country the vehicle registration section experienced significant growth with regard to all types of registrations, except in the area of temporary permits where the decline of 0,2% has been too insignificant to draw any conclusions.

The statistics for the past three years are as follows;

VEHICLE REGISTRATIONS	2006/2007	2007/2008	2008/2009
Registrations	R755 034,40	R648 764,10	R743 327,55
Licensing fees paid to Province	R15 805 031,07	R13 811 918,00	R17 262 984,00
Temporary permits	R 48 900,00	R51 510,00	R50 046,00
Special permits	R18 366,00	R16 098,00	R22 176,00
Duplicates	R141 020,00	R99 470,00	R127 050,00
12 % Agency fee	R1 896 603,74	R1 448 482,46	R2 071 558,18
Registration numbers	R 21 800,00	R17 100,00	R20 400,00
TOTAL INCOME	R18 686 755,21	R16 963 342,56	R20 297 541,73

6.2.2.2 Driver's Licences

In an effort to reduce the waiting period for appointments to obtain driver's licences this Sub-Directorate extended the service to include every alternate Saturday. Because of this initiative 386 more people were tested for driver's licences in comparison with the previous year.

A total of 1 052 more candidates were accommodated for tests for learner driver's licences.

Despite all the efforts, 17 per cent of the applicants failed to turn up for their driver's licence tests and 12 per cent of the applicants failed to turn up for their learner's tests.

The number of people applying to renew their driver's licences showed a drastic decline and 948 fewer applications were received.

On the administration side, officials managed to scan 8 617 files and completed 22 487 e-natis transactions.

The following comparing statistics clearly show the growing demand for this service:

DRIVER'S LICENSES	2006/2007		2007/2008		2008/2009	
	Applications	Amount (R)	Applications	Amount (R)	Applications	Amount (R)
Motorbike	154	18 480	242	29 040	251	30 120
Light motor vehicle	908	108 960	1041	124 920	1145	137 400
Heavy motor vehicle	1 129	203 220	2 214	398 460	1 416	254 882

DRIVER'S LICENSES	2006/2007		2007/2008		2008/2009	
Card applications	6 810	681 000	8 432	843 200	7 484	748 400
Temporary licenses	2 854	114 160	2 801	112 040	2 540	101 600
Pr DP's	1 060	74 200	1 164	81 480	1 327	92 890
Learner's applications	3 413	204 780	4 037	242 220	4 260	255 600
Learner's licenses issued	1 765	52 950	2 026	60 780	2 441	73 230
Duplicate learner's licenses	93	2 790	136	4 080	148	4 440
TOTAL	18 186	1 460 540	22 093	1 742 260	21 012	1 698 562
Less card production fee						348 006
TOTAL INCOME				1 742 260		1 350 556

6.2.2.3 Crime Prevention

The law enforcement component is committed to ensuring a safe environment and supports the South African Police Service in patrolling the area. It also patrols the area to prevent the contravention of local by-laws as well as delegated national laws. The main objective was to cover the area from Glentana to Vleesbaai on a regular basis as a preventative measure.

Education of the community by means of written warnings was supported by strict law enforcement, including regular speed law-enforcement actions. As a crime prevention measure and to enhance visibility, foot patrols were conducted in areas with a high pedestrian density. Regular organised operations led to the arrest of 171 people for drunken driving.

The national Arrive Alive project was also supported by concerted efforts to enforce the speed limits in urban as well as rural areas.

Although the income from paid fines showed a decline of 0,06 per cent, fines issued increased by 160 per cent to the value of R8 432 200. This is a clear indication of the challenge to change the attitude of drivers with regard to traffic rules.

Efforts to maximise the opportunity for offenders to pay fines by issuing notices before summonses are issued explain the fact that no payments were received on summonses.

The commitment of personnel is very high and therefore enables this Sub-Directorate to exceed the expectations of the community.

The following table provides statistics of the services rendered over the past three financial years:

CRIME PREVENTION	2006/2007	2007/2008	2008/2009
Members	26	27	26
Summons issued	4 091	4 739	12 848
Notifications to prosecute (Section 341)	1 567	1 825	2 101
Warnings	2 026	1 801	873
Arrest	168	225	175
Foot patrols, law enforcement and crime prevention (hours)	12 109	1 363	919
Illegal structures removed	26	191	83
Summons (paid)	R339 940	-	R746 365
Section 341 (paid)	R523 750	R628 800	R137 790
Cameras fines (paid)	R5 246 175	R13 678 375	R420 376,22

6.2.3 Environment, Horticulture, Sport and Recreation

6.2.3.1 Overview

This section is responsible for the environmental care function, horticultural development and maintenance as well as the development of and management of sports, recreation and beach facilities.

An environmental assessment for the new cemetery for Mossel Bay is still in process. The entrances at the Mossel Bay and Hartenbos cemeteries were upgraded and new blocks were developed at the Mossel Bay, Wolwedans and End Street cemeteries.

Tenders were invited to upgrade the Extension 23 soccer facility to FIFA standards with a view to hosting a base camp for a soccer team participating in the 2010 World Cup soccer tournament.

At the Van Riebeeck Stadium the pavilion and club house facilities were repaired and upgraded. A new cricket pitch was laid and all the netball courts were resealed. At the D'Almeida Stadium the pavilion was repaired. The Great Brak River and Little Brak River tennis courts were resealed and the fences were also repaired.

The draining system and the condition of the playing pitch at the Greenhaven Stadium were improved. Flood lights were installed at the Brandwacht and Herbertsdale netball courts and the ablution facilities at Brandwacht were extended.

Major upgrading and improvements were done at the Harry Giddey Park with a view to restoring it to its former glory. An animal farm and zoo boasting cage birds, geese, tortoises, goats, ponies and sheep, was established.

The maintenance programmes of beaches proved to be very successful and applications were launched for the registration of some of the beaches for Blue Flag status.

6.2.3.1 Maintenance Statistics

The maintenance statistics for this section are as follows:

	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
Beaches	1 185 459	987 176	1 826 747
Sports and Recreation	493 673	623 610	1 024 543
Environment and Horticulture	646 348	683 391	749 364
Cemeteries	21 015	120 438	72 490
TOTAL	2 346 494	2 414 615	3 673 144

6.2.3.2 Capital Expenditure

The Sub-Directorate's capital expenditure for the past three financial years was as follows:

	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
Beaches	0	236 428	445 360
Sports and Recreation	1 063 388	810 710	1 537 516
Environment and Horticulture	0	547 156	1 094 007
Cemeteries	28 488	254 946	200 641
TOTAL	1 064 876	1 849 240	3 277 524

The reason for the increases in maintenance costs and capital expenditure above is an increased focus on facilities following the establishment by Council of a Facilities Committee to investigate the shortcoming of facilities under the control of the Municipality. All facilities, including cemeteries, were investigated. Capital expenditure includes expenditure on vehicles and new equipment.

6.2.4 Fire and Rescue Services and Disaster Management

The objective of the Fire and Rescue Services Sub-Directorate is to reduce the risks, impact and consequences for life, property and the environment with regard to fire, emergencies and disasters.

6.2.4.1 Fire Safety

The Sub-Directorate continues to be under pressure as a result of limited manpower and continued residential development. The situation has escalated with the establishment of fire protection areas which requires inspections of land before burn permits can be issued in terms of National Veld and Forest Fire Act.

The Fire Prevention Section is managed by the station commander and operational staff on each shift and they do regular inspections of buildings and premises in the greater Mossel Bay area.

Education and awareness remain one of our key objectives and is an ongoing process in assisting communities to identify risks and to implement preventative measures to reduce or to remove the risk.

The establishment of informal settlements with its challenges of access roads and shortage of water supplies where frequent structural fires occur continued to pose challenges to the Fire and Rescue Service in the year under review.

There was a noticeable escalation in awareness and educational trips to our local schools over this period. Once again these awareness and educational programs were extended to local crèches and churches.

The Learn-not-to-burn campaign was adopted by the Fire and Rescue Service and implemented at the local crèches and schools.

This life skills teaching package encourages the youth to be more observant and empowers them with life skills.

Veld and bush fires increased by 62 per cent over this period. It remains a concern as members of the public (school children setting fire to vacant land and people tossing burning cigarette stubs from moving vehicles) cause most of the fires. The low rainfall that resulted in dry veld conditions is a contributing factor.

During this period there was a noticeable increase of 9 per cent in motor vehicle accidents to which the Fire and Rescue Services were called. This increase can largely be ascribed to an increased number of motor vehicles and motor cycles on the road.

Certain beaches, particularly Glentana and Suiderkruis, are not safe for swimmers and the Municipality has erected signs intended to warn swimmers that these beaches are dangerous. Efforts to warn swimmers not to swim at certain beaches when there are no lifeguards on duty have also continued.

The flooding of the Great Brak River and Little Brak River areas due to rising ocean levels remains a cause for concern. Businesses around the Point Area have suffered similar damages caused by abnormal ocean conditions.

The Service once again received assistance and co-operation during times of floods and fires in the Mossel Bay area from various organisations that included the South African Police Service at Great Brak River, the National Sea Rescue Institute, Metro EMS, Pollution Solutions and the Eden District Municipality.

We would once again like to express our sincere gratitude to PetroSA for their continued support and assistance in rendering an efficient service to our community.

6.2.4.2 Fire and Rescue Services Rendered

The following incidents were attended to in the 2008/2009 financial year:

All Incidents

INCIDENTS	2006/2007	2007/2008	2008/2009
Fires			
- <i>Building Fires</i>			
- <i>Formal</i>	51	22	21
Informal (Shack)	98	82	44
Veld Fires	308	279	448
Other Fires	11	0	0
Motor Vehicle Fires	20	21	22
Motor Vehicle Accidents	330	267	295
Special Services			
Water Delivery	2	2	0
Other	90	70	73
False Alarms			
With good intent	21	42	76
Malicious	0	4	26
Medical Incidents	22	26	12
Loss of Life			
Construction Fires	12	6	3
Drowning	1	0	5
Vehicle Accidents	20	12	7
Fire Prevention			
Inspections	274	264	243
Re-inspections	286	251	128
Business Licenses and Building Plans	236	196	121
Fire hydrants inspected and cleaned	134	219	305

INCIDENTS	2006/2007	2007/2008	2008/2009
Training			
Industrial and Municipal	5	1	10
Schools	28	33	44
Internal Fire and Rescue	180	146	198
Complaints after hours			
Water	846	795	866
Sewerage	1 078	1 084	1 269
Electricity	3 115	3 330	2 998
TOTAL	7 158	6 732	5 945

Occurrence of Fires in Mossel Bay Area

The following table reflects the occurrence of fires in the Mossel Bay municipal area:

	2006/2007	2007/2008	2008/2009
Building			
- <i>Formal</i>	51	22	21
- <i>Informal (Shack)</i>	98	82	44
Veld Fires	308	279	448
Other Fires	11	0	0
Motor Vehicle Fires	20	21	22
TOTAL	488	404	355

Training

The table below provides statistics of training activities over the last three financial years:

TRAINING	2006/2007	2007/2008	2008/2009
Industrial/Municipal	5	1	10
Schools	28	33	44

TRAINING	2006/2007	2007/2008	2008/2009
Internal Fire and Rescue	180	146	196
TOTAL	213	170	240

6.2.4.3 Capital Expenditure

The following capital expenditure was budgeted for in the 2008/2009 financial year and was spent within the projected time frames:

- Purchase of a 4x4 rescue vehicle.
- Purchase of a light delivery vehicle.
- Purchase of rescue tools and equipment.

The capital budgets of this component were as follows over the past three financial years:

2006/2007	2007/2008	2008/2009
R2 456 722	R159 344	R860 644

6.2.4.4 Fire and Rescue Personnel: Cost to Municipality

The personnel costs of the Fire and Rescue Sub-Directorate for the past three financial years were as follows:

PERSONNEL	2006/2007	2007/2008	2008/2009
	R4 924 800	R5 790 366	R7 249 396

6.2.4.5 Operating Budget

The total operating budget for this function over the past three financial years was as follows:

	2006/2007	2007/2008	2008/2009
Total Operating Budget	R6 370 974	R7 028 447	R8 734 069

6.2.4.6 Disaster Management

Except for veld fires and rising sea levels that caused damage through the entire Eden District municipal area, no major incidents or disasters occurred during this period. Efforts to mitigate or prevent the effects of flash floods and fires on our communities will, however, be continued.

The Eden District Municipality appointed a disaster management co-ordinator to assist with the function in the Greater Mossel Bay area. This Municipality must still appoint a disaster management official.

Xenophobia was another challenge to the Emergency Services and the Municipality. People were driven from their residences due to cross-cultural differences in Joe Slovo Village, KwaNonqaba and Asia Park. They had to be housed in community halls and private places until the situation could be normalised and they could return to their homes.

It tested the capability of the Fire and Rescue Service and caused a great deal of stress to the communities. We thank the South African Police Service and all relevant role players who assisted to stabilise the situation.

6.2.4.7 Lifesaving Services

Lifesavers were deployed on 26 beaches (except Dana Bay's 1st and 2nd beaches) within the Mossel Bay municipal boundaries for the 2008/2009 holiday season.

No major incidents or loss of life occurred during the festive period although there was an increase in the number of holiday makers who visited and made use of the beaches.

The cost of life saving services to the Municipality over the past three years was as follows:

	2006/2007	2007/2008	2008/2009
Total Operating Budget	R528 429	R627 100	R930 345

6.2.4.8 Security Services

A security company was contracted to provide security services to the Municipality and provided a reasonable service in the year under review. Losses were, however, experienced at De Bakke Chalets as thieves targeted the area.

The cost of security services to the Municipality over the past three years is shown below:

	2007/2008	2007/2008	2008/2009
Private Security Services	-	R524 920	R1 116 192

6.2.4.9 Challenges

One of the biggest challenges that the Fire and Rescue Service face is the shortage of manpower to be able to render an effective and efficient service to the community of Mossel Bay.

The Fire and Rescue Service has 27 fire fighters and 5 officers to cover two fire stations. The staff shortage will be addressed as soon as funds become available on the budget.

A full report on the staff situation has been forwarded to Council, which has taken cognisance of the situation. A request has also been sent to the Local Labour Forum with a view to adjusting the structure of the Fire Service to address the staff situation.

6.2.5 Housing

6.2.5.1 Current Housing Projects

The following is an overview of current housing projects in the municipal area that were managed by the Housing Section in 2008/2009:

Wolwedans, Great Brak River

As the tender prices for the construction of platforms and erection of 677 top structures were way in excess of the State subsidy because of the adverse geotechnical conditions the Municipality applied successfully to the Western Cape Minister of Housing to increase the subsidy by approximately R20 000.

The tender was consequently awarded to Mellon Construction and construction on the project commenced in June 2009. The construction time is 30 months.

Friemersheim

The preliminary planning and design work in respect of the required bulk and connector services as well as the internal reticulation of services were concluded by 31 July 2008. The revision of the outlay in collaboration with the beneficiary community has been finalised and the opening of the Township Register is now awaited.

The signing of the funding agreement with the Western Cape Provincial Government has been delayed temporarily due to financial constraints.

Powertown: Little Brak River

The planned relocation of the Powertown community to the Hartenbos Estate development is now dependent on the outcome of appeals against the Record of Decision issued by the provincial authorities in respect of the development parameters for the estate.

Elangeni: KwaNonqaba

The project managers, Thubelisha Homes, appointed a new contractor at the beginning of the reporting year. Ninety per cent of the project, comprising of 327 units, was completed by the end of the financial year.

Asazani / Izinyoka

The adjusted conditional funding for 750 UISP grants was approved by the Provincial Government and the funding agreement was amended accordingly (pre-planning funding).

The Environmental Impact Assessment (EIA) was delayed due to a very late demand from Provincial Government for a visual impact assessment and inputs from Cape Nature.

The layout plans had to be adjusted in order to amend the final scoping report already submitted in October 2008.

The final feasibility study for implementation funding (services and top structures in tandem) will be submitted upon the issuing of a positive Record of Decision by Provincial Government.

6.2.5.2 Planned Projects

Herbertsdale

A project manager was appointed for the project that will entail ±150 serviced erven and top structures. Project scoping reports in respect of the required engineering services (bulk water and sewage requirements) have been concluded. The processes with regard to the geotechnical investigation, EIA, preliminary town planning and topographical surveying will commence in the following reporting year.

Integrated Housing Settlement Plan

The Integrated Housing Settlement Plan was initiated in May 2009. The study has been managed internally, with participation from a Steering Committee in which other Directorates such as Civil Services, Town Planning and Urban Control and Electrical Services were represented.

The objectives of the study are as follows:

- Define housing demand and identify delivery constraints and impacts and develop an appropriate response to these constraints.
- Address Isidima/Western Cape Social Housing Strategy principles.
- Provide spatial linkages between the Spatial Development Framework, district alignment and physical implementation of projects and include focus on rural areas within the Municipality.
- Ensure co-ordination and alignment between housing strategies and policies from all spheres of government.
- Provide guidance on high-level macro planning to ensure provision of engineering and community services and facilities.
- Investigate and report on alternative housing typologies and tenure options.
- Consider procurement options with housing delivery options.
- Outlining housing needs and housing business plan in order to secure funding. Investigate appropriate housing instruments/programmes, typologies and tenure options.
- To guide the identification, prioritisation and implementation of housing projects.
- To ensure housing focus in the IDP and ensure this is integrated and informs the ongoing IDP process as well as inform future budgetary requirements.

The Integrated Housing Settlement Plan consists of six phases, namely:

- ≈ Phase 1: Situation Analysis.
- ≈ Phase 2: Capacity and Constraints Analysis.
- ≈ Phase 3: Housing Delivery Strategies.
- ≈ Phase 4: Five and Three-year Business Plan.

- ≈ Phase 5: Stakeholder Input.
- ≈ Phase 6: Consolidation and Council Approval.

This document constitutes the situation analysis, which will outline an understanding of the status quo in the Mossel Bay area. The situation analysis presents:

- An outline of overarching policies.
- An understanding of key housing problems and challenges.
- An outline of current housing typologies and tenure options.
- An overview of the housing demand in terms of typology. Only available information was used and no primary research was undertaken.
- An outline of any gaps in local housing policies, delivery instruments and programmes and funding sources.
- An outline of the common issues and challenges with regard to housing delivery, including institutional, process and procedural and financial.
- This included an analysis of local institutional capacity to meet housing delivery demands and options.
- Identification of the capacity and constraints for housing delivery in Mossel Bay.
- Identification of potential sites for integrated and sustainable human settlements.

6.2.5.3 Budgets and Funding

Capital Budget

YEAR	BUDGET	ACTUAL EXPENSE	% OF BUDGET SPENT
2007/2008	17 908 873	9 197 425	51,36%
2008/2009	3 465 771	2 297 894	66,30%

The under spending was due to a lack of sufficient funding to award a tender in respect of the Wolwedans project as well as a delay by the Provincial Government of the Western Cape in issuing the Record of Decision with regard to the Asazani / Izinyoka housing project.

Operating Budget

YEAR	BUDGET(R)	ACTUAL EXPENDITURE (R)	% OF BUDGET SPENT
2007/2008	9 564 683	14 915	76%
2008/2009	24 162 716	16 088 905	67%

The under spending as reflected above was due to the cancellation of the building contractor's contract because of legal disputes about his performance.

6.2.5.4 Housing Waiting List

	HOUSES BUILT	WAITING LIST
2007/2008	56	10 500
2008/2009	228	11 000

Plans are underway at present to make land available for housing projects and project applications have been submitted to the Department of Housing for more funding.

6.2.6 *Waste Management and Pollution*

The function of this Sub-Directorate is the management of waste, refuse removal and street cleaning and air and noise pollution.

6.2.6.1 Waste Management

The Municipality has various transfer stations and landfill sites as its responsibility.

PetroSA Landfill Facility

The PetroSA landfill facility is still used for dumping domestic waste by Mossel Bay as well as other local municipalities in the Southern Cape. Although the agreements between the municipalities and PetroSA expire in June 2010, the company has been requested to extend the contracts pending the development of a new regional landfill facility that is expected to be in operation by the end of 2012. The Eden District Municipality appointed PD Naidoo and Associates to plan the new facility.

The new facility should have a lifespan of fifty years, taking into account waste minimisation strategies that have been introduced. Potential sites have been identified and specialist studies have been undertaken prior to submitting the necessary applications to the Department of Environmental Affairs and Development Planning (DEADP). These studies were ninety per cent complete at the end of May 2009.

Changes in legislation that has shifted the licensing function to the Department of Environmental Affairs and Development Planning are, however, delaying the environmental processes in connection with the selected sites. The public participation processes are due to start in September 2009, but are dependent on the approval of the aforementioned Department.

Recycling Initiatives and Future Plan

The recycling of waste takes place from businesses as well as residential properties. A total of 1 343,3 tonnes of waste was recycled during the 2008/2009 financial year. This compares with 1 322,5 tonnes in the 2007/2008 financial year and 1 424,81 tonnes in 2006/2007.

Recycling is at present taking place in Dana Bay, Heiderand, the Central Business District, Midbrak, Great Brak River, Glentana and Hartenbos. A blue bag is provided to residents for this purpose and is collected on a weekly basis.

The recycling contractor has been expanding its services in 2008/2009 to areas such as Hartenbos Hills, Extension 6 and various apartment complexes.

In addition to the abovementioned, the Municipality has given permission to a local recycler to use its KwaNonqaba transfer station to operate a recycling collection service and a drop-off facility to the community.

Only certain areas are targeted by the recycling company. It has therefore been decided to outsource this service and a tender in this regard will be issued in the 2009/2010 financial year.

Blue Bin Project

Dumping of refuse is a problem in areas such as Asla Park and KwaNonqaba. A pilot project was therefore launched in May 2009 to place blue bins at strategic points. Asla Park was divided into four blocks and the project was launched in an area where there are informal dwellings and minimal services.

This project will be monitored continuously and evaluated after three months. If it is successful it will be extended to the rest of the problem areas.

New Transfer Station

A consultant was appointed by the Municipality to identify suitable land for a new transfer station for green waste and composting, building rubble and various other waste classifications.

The application for an environmental impact assessment (EIA) for potential sites that had been identified has been submitted to the Department of Environmental Affairs and Planning (DEADP).

Despite regular follow-ups feedback from this department was still awaited at the end of the financial year, with the result no funds could be spent on the vote for the relocation of transfer stations.

When the new transfer station is in operation it is envisioned that the KwaNonqaba and Sonskynvallei transfer stations will be used as recycling drop-off centres operated by local recyclers, thereby creating jobs in the communities.

Entrepreneurs Project

This project has been extremely successful to date in providing employment opportunities and skills to previously disadvantaged and unemployed members of the community of Mossel Bay as well as to tidy the town up.

The project started in 2006 with 25 entrepreneurs and approximately 125 jobs created. New entrepreneurs are appointed annually, depending on the Municipality's budget for this purpose.

The project at present employs 41 entrepreneurs and 252 jobs were created. Together with extended family memberships a total of 1 356 people benefitted from the project in the year under review.

It was hoped that PetroSA would repeat its sponsorship of R4 million as in the 2007/2008 financial year but this unfortunately did not happen in 2008/2009. It was therefore necessary for Council to make extra provision in the adjustment budget in 2008/2009 to ensure that the project continues.

Refuse Removal

Domestic refuse is removed once a week. Business refuse removal takes place more often.

The refuse removal service was extended to Buisplaas in the year under review. This means that all residential areas in the municipal are now covered.

A contractor was appointed on a one-year contract to December 2008 to provide the service at Buisplaas. This service will be contracted to locals in the future as well.

The solid waste removal statistics for the past three financial years are as follows:

	2006/2007	2007/2008	2008/2009
Metric Tonnes	26 929	27 760	23 964

The following table reflects the expenditure of this Sub-Directorate over the past three financial years.

	2006/2007	2007/2008	2008/2009
Transfer Stations	1 104 471	1 097 591	926 698
Street Cleaning	1 448 777	1 429 239	1 618 253
Refuse Removal	18 309 246	24 319 870	26 751 691

6.3 Corporate Services

DIRECTOR: E JANTJIES

6.3.1 Overview

The Corporate Services Directorate is essentially responsible for the general administration function of the Municipality. This includes the provision of the following services:

- Human Resources.
- Legal Services.
- Change Management.
- Socio-Economic Development.
- Administrative Support.
- Library Services.

The Director Corporate Services is in his second year and the Directorate is settling in well.

Some of the major achievements in the year ended 30 June 2009 were as follows:

- The appointment of a legal adviser to strengthen the areas of contract management and disciplinary processes. The person appointed is also an expert in legal advice on labour issues as well as general local government law.
- Good labour relations were maintained and the consultations with the unions through the Local Labour Forum, Training Committee, Employment Equity Forum and Selection and Recruitment Meetings took place throughout the year without any major disagreements.
- The Municipality started a new employment equity process due to the fact that the current plan comes to an end on 30 September 2009. Council further decided not to appoint a consultant to drive the new process and it is currently driven by the Corporate Services Directorate. Three officials received training in this regard and the process is almost finished. Proper stakeholder engagements took place and all unions and political parties gave their thumbs up for the process.
- A consultant was appointed to draw up the implementation plan for the Local Economic Development (LED) Strategy. A successful LED Summit was held in August 2008 and a LED Steering committee was elected. A Socio-Economic Charter was also adopted. In October 2008 Council approved four LED anchor projects, with the main focus on waste management and job creation.
- Proper Ward Committee training was given in October 2008 and again in February 2009 to capacitate the elected Ward Committee members to render a professional service to the community. In February 2009, Mossel Bay became the first B Municipality to host a Ward Committee summit. Ward Committee meetings take place on a regular basis and members are now well equipped to serve the public.
- After much planning youth forums were established and in May 2009 a Youth Council was elected. Monthly meetings will be held and recommendations will be made to Council regarding youth issues and needs. Council adopted a youth policy in September 2009.

- A consultancy was appointed to assist with the full implementation of a performance management system in terms of the Municipal Systems Act, No 32 of 2000. The process is well on its way and training of the Audit Committee members as well as directors and senior personnel took place between January 2009 and June 2009. The full system with a motivational policy will be implemented from October 2009.
- The Collaborator system is now fully functional and this Municipality is becoming a leader in managing incoming and outgoing correspondence. The programme has also been enhanced to handle a query register where complaints are followed up electronically.
- A senior typist post was created and filled to beef up the Support Services Sub-Directorate with regard to Council agendas and items as well as general correspondence.

The following are the main challenges of the Directorate for the 2009/2010 financial year:

- Achieving the equity targets as set out in the Employment Equity Act, No 55 of 1998.
- Implementation of performance management system as required by the Municipal Systems Act, No 32 of 2000.
- Completion of disciplinary actions within 40 days.
- Strategic implementation of Integrated Development Plan objectives, strategies and needs.
- Achieve training objectives (spending of allowed budget) as well as getting the buy-in off all Directorates within the Municipality.
- Implementation of Local Economic Development objectives and function entirely.
- Managing loan items at libraries and circulation and recruiting new members.
- Execution of Council resolutions (Legal and Human Resources departments).
- Implementation of staff record system (time and attendance).

6.3.2 Human Resources

This division is comprised of the following sections:

- Skills Development and Training.
- Administration.
- Labour Relations.

6.3.2.1 Skills Development and Training

As reported hereinafter, the Municipality presented a workplace skills plan on 30 June 2008 to the Local Government Sectoral Education and Training Authority (LGSETA), which conformed to all the requirements of the Skills Development Act, No 97 of 1998.

As a result of this achievement as well as certain targets that were reached in training, an amount of R451 596,48 of the levies payable to the SETA, was refunded to the Municipality for further training purposes. With these funds, training could be afforded to 200 staff members as outlined in paragraph 6.2.4.6.

6.3.2.2 Administration

There was a significant backlog in the filling of vacant posts in the period under review, and this was reduced significantly by filling 106 vacancies during this period. This process, as well as 23 internal promotions, placed a heavy burden on the selection process as well as on staff in this section.

The section was reinforced through the appointment of two new staff members.

The appointment of a new Municipal Manager on 1 June 2009, a post which was vacant for almost ten months, can be regarded as a highlight.

A further investigation into the organigram of the Municipality resulted in the creation and establishment of a new Directorate of Town Planning and Building Control, a function which previously resorted under the Directorate of Civil Services. A new Director was recruited to head up this Directorate.

Two new interns were also appointed in the Financial Services

The administrative process associated with new appointments was integrated with the existing Collaborator software program in October 2008. It is envisaged that the transfer, disciplinary and termination processes will also be integrated into this program by December 2009. This section also envisages an audit of the qualification profile of all staff members in line with the workplace skills plan.

6.3.2.3 Labour Relations

The year under review was a relative quiet one as far as labour relations were concerned. Adequate communications between management and the labour unions resulted in a salary increase of 8,3 per cent and no strike action was taken.

A separate section was created on the Municipality's organigram to deal with the increased actions in the field of labour relations.

6.3.2.4 Statistics and Other Information

The section below reflects statistical and related information on the labour force of the Municipality. The following legends are used, where necessary, in tables to denote the various categories of people:

A = African; C = Coloured; I = Indian; W = White; M = Male; F = Female.

Recruitment

The table below reflects recruitment categories and numbers (including employees with disabilities) for the period 1 July 2008 to 30 June 2009:

OCCUPATIONAL LEVELS	DESIGNATED							NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Top management	0	0	0	0	0	0	1	2	0	0	3	

OCCUPATIONAL LEVELS	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female					Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F			
Senior management	0	0	0	0	0	0	0	2	0	0	0	2	
Professionally qualified, and experienced specialists and mid-management	1	0	0	1	3	0	0	3	0	0	0	8	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	9	1	0	3	0	2	8	0	0	0	25	
Semi-skilled and discretionary decision-making	2	4	0	3	7	0	4	1	0	0	0	21	
Unskilled and defined decision-making	18	21	0	1	1	0	0	6	0	0	0	47	
Total Permanent	23	34	1	5	14	0	7	22	0	0	0	106	
Total Non-Permanent	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	23	34	1	5	14	0	7	22	0	0	0	106	

Promotions

The table below reflects promotion categories and numbers (including employees with disabilities) at the Municipality for the period 1 July 2008 to 30 June 2009:

OCCUPATIONAL LEVELS	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female					Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F			
Top management	0	0	0	0	0	0	0	0	0	0	0	0	
Senior management	0	0	0	0	1	0	1	1	0	0	0	3	
Professionally qualified and experienced specialists and mid-management	0	1	0	0	0	0	1	2	0	0	0	4	
Skilled technical and academically qualified workers,	0	2	0	0	1	0	1	4	0	0	0	8	

OCCUPATIONAL LEVELS	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female					Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F			
junior management, supervisors, foremen and superintendents													
Semi-skilled and discretionary decision-making	6	5	0	0	1	0	2	0	0	0	0	14	
Unskilled and defined decision-making	1	3	0	0	0	0	0	0	0	0	0	4	
Total Permanent	7	11	0	0	3	0	5	7	0	0	0	33	
Total Non-Permanent	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	7	11	0	0	3	0	5	7	0	0	0	33	

Terminations

The following terminations took place during the 2008/2009 book year:

OCCUPATIONAL LEVELS	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female					Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F			
Top Management	0	0	0	0	0	0	0	1	0	0	0	1	
Senior Management	0	2	0	0	0	0	0	1	0	0	0	3	
Professionally qualified and experienced specialists and mid-management	0	2	0	0	0	0	0	0	0	0	0	2	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	3	0	1	0	0	1	2	0	0	0	7	
Semi-skilled and discretionary decision-making	1	4	0	0	1	0	0	2	0	0	0	8	

Occupational Levels	Designated							Non-Designated			Total	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Unskilled and defined decision-making	5	7	0	0	1	0	0	0	0	0	13	
Total Permanent	6	18	0	1	2	0	1	6	0	0	34	
Total Non-Permanent	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	6	18	0	1	2	0	1	6	0	0	34	

Analysis of Terminations

The terminations were made up as follows:

RESIGNATION	DISMISSAL	OTHER (RETIREMENT, DISABILITY)
10	7	17

People with Disability

The table below shows people with disabilities per occupational level as on 30 June 2009:

OCCUPATIONAL LEVELS	DESIGNATED								NON- DESIGNATED		TOTALS	
	Male				Female				Foreign Nationals			
	A	C	I	W	A	C	I	W	M	F		
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	2	0	0	0	0	0	0	2	
Semi-skilled and discretionary decision-making	0	1	0	0	0	0	0	0	0	0	1	
Unskilled and defined decision-making	0	3	0	1	0	0	0	0	0	0	4	
Total Permanent	0	4	0	4	0	0	0	0	0	0	8	
Total Non-Permanent	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	0	4	0	4	0	0	0	0	0	0	8	

Disciplinary Action

The following table reflects the number of disciplinary actions for the period 1 July 2008 to 30 June 2009.

ACTIONS	DESIGNATED								NON-DESIGNATED		TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Counselling	4	2	0	4	1	0	1	1	0	0	13	
Dismissal	0	5	0	0	1	0	0	1	0	0	7	
Final Written Warning	3	4	0	2	1	0	0	0	0	0	10	
Other	1	0	0	0	0	0	1	0	0	0	2	
Suspension without pay	5	3	0	1	1	0	1	0	0	0	11	

ACTIONS	DESIGNATED								NON-DESIGNATED		TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Written warning	2	2	0	0	0	0	0	0	0	0	4	
TOTAL	15	16	0	7	4	0	3	2	0	0	47	

6.2.4.5 *Approved and Vacant Posts*

The table below reflects the approved and vacant posts as on 30 June 2009:

	APPROVED	VACANT
Municipal Manager and Section 57	7	0
Middle Management	102	15
Administrative Officers	181	0
General Workers and Other	628	1

6.2.4.6 Skills Development / Training

The Municipality has an obligation in terms of the Skills Development Act, No. 97 of 1998, to develop its employees by providing training for them. Training plans are drawn up annually and are forwarded to the Local Government Education and Training Authority (LGSETA).

A skills development levy, equal to 1 % of the Municipality's monthly payroll, is payable to the SETA. Payments totalling R918 259 were made as follows during the 2008/2009 financial year.

MONTH	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
July 2008	49 623	54 200	71 666
August 2008	54 076	61 409	69 455
September 2008	51 367	54 312	72 161
October 2008	52 034	55 372	72 721
November 2008	52 034	54 579	72 806
December 2008	58 524	56 351	74 915
January 2009	65 262	66 109	80 735
February 2009	64 811	64 312	92 835

MONTH	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
March 2009	72 933	63 828	75 827
April 2009	60 895	64 479	77 178
May 2009	58 778	63 947	80 320
June 2009	61 636	66 053	77 640
TOTAL	701 973	724 951	918 259

Training Report

Up to 50 per cent of the skills development levy can be reclaimed by the Municipality, subject to certain conditions based on the registration of a skills development framework, submission of the workplace skills plan and annual training report and actual money spent on the training of employees.

Claims by the Mossel Bay Municipality for the year under review amounted to R451 596,48.

The table below provides statistics of the training of employees during the period 1 July 2008 to 30 June 2009.

OCCUPATIONAL LEVELS	DESIGNATED							NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Top Management	0	1	0	0	0	0	0	3	0	0	4	
Senior Management	1	1	1	0	1	0	3	6	0	0	13	
Professionally qualified and experienced specialists and mid-management	1	6	0	2	2	0	5	6	0	0	22	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	15	29	0	5	2	0	4	23	0	0	78	
Semi-skilled and discretionary decision-making	7	8	0	4	6	0	2	4	0	0	31	

OCCUPATIONAL LEVELS	DESIGNATED							NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Unskilled and defined decision-making	10	28	0	4	7	0	0	3	0	0	52	
Total Permanent	34	73	1	15	18	0	14	45	0	0	200	
Total Non-Permanent	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	34	73	1	15	18	0	14	45	0	0	200	

Training Courses and Programmes Completed

Training courses and programmes completed in the period 1 July 2008 to 30 June 2009 were:

COURSE NAME OR QUALIFICATIONS TITLE	SERVICE PROVIDER	SKILLS AREA	TOTAL EMPLOYEES TRAINED
Capman	Business Answers	Computer Literacy	2
Chainsaw & Bush cutter	Concordia Training Centre	Specialist Technical	2
Chainsaw Operator	MTO Forestry (PTY)(LTD)	Specialist Technical	2
Crane & Mobile Platform	Power Systems	Specialist Technical	8
Grade 12	Mossel Bay Community Learning Centre	ABET	30
Performance Management	University Stellenbosch	Project Management/ Planning	2
Samtrac	NOSA	Occupational Health and Safety	1
Selection Committee Training	Engelbrecht Schoeman & Ass	Training Skills	34
Snake Handling	Cango Wildlife Ranch	Specialist Technical	6
Spanish	University of Buenos Aires	Life Skills	24

COURSE NAME OR QUALIFICATIONS TITLE	SERVICE PROVIDER	SKILLS AREA	TOTAL EMPLOYEES TRAINED
Supervision Training	Africa Competency Development	Management/ Leadership	34
Water Learnership	Water Academy	Specialist Technical	14
First Aid Level 1 (2008)	Andre van der Nest	Life Skills	41
TOTAL EMPLOYEES TRAINED			200

Total Number of Employees per Occupational Category

The following is an analysis of the Municipality's total labour force per occupational categories as on 30 June 2009:

CATEGORIES	DESIGNATED							NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals			
	A	C	I	A	C	I	W	W	M	F		
Legislators, senior officials and managers (*)	1	2	2	0	1	0	4	13	0	0	23	
Professionals	0	0	0	0	1	0	2	5	0	0	8	
Technicians and associate professionals	5	14	0	0	1	0	0	23	0	0	43	
Clerks	5	26	1	25	47	0	40	9	0	0	153	
Service and sales workers	13	27	0	3	8	0	4	20	0	0	75	
Skilled agricultural and fishery workers	0	0	0	0	0	0	0	0	0	0	0	
Craft and related trades	3	6	0	0	0	0	0	13	0	0	22	
Plant and machine operators and assemblers	12	27	0	2	2	0	0	2	0	0	45	
Elementary occupations	144	238	0	18	34	0	0	19	0	0	453	

CATEGORIES	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals				
	A	C	I	A	C	I	W	W	M	F			
Apprentices	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	183	340	3	48	94	0	50	104	0	0	822		

Total Number of Employees per Occupational Level

The following is an analysis of the Municipality's total labour force per occupational levels as on 30 June 2009.

OCCUPATIONAL LEVELS	DESIGNATED								NON-DESIGNATED			TOTAL	
	Male			Female				Male	Foreign Nationals				
	A	C	I	A	C	I	W	W	M	F			
Top Management	0	2	1	0	0	0	1	3	0	0	7	7	
Senior Management	1	1	1	0	1	0	4	14	0	0	22	22	
Professionally qualified and experienced specialists and mid-management	2	8	0	7	7	0	9	18	1	0	51	51	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	23	52	1	6	12	0	11	45	0	0	150	150	
Semi-skilled and discretionary decision-making	32	67	0	17	42	0	25	12	0	0	195	195	
Unskilled and defined decision-making	125	210	0	18	32	0	0	12	0	0	397	397	
TOTAL	183	340	3	48	94	0	50	104	1	0	822		

Interns

Interns were appointed in terms of the MFMA and the guidelines supplied by the National Treasury. The internship programme is funded from donations allocated by the National Treasury.

The table below shows employment profile of interns for the period 1 July 2008 to 30 September 2009.

WORK AREA	A		C		I		W		TOTAL	
	M	F	M	F	M	F	M	F		
Core Finance	0	0	0	2	1	0	0	1		4
TOTAL	0	0	0	2	1	0	0	1		4

Employee Qualification Profile

The table below shows the employee qualification profile as at 30 June 2009 per employment category and NQF level (Councillors included):

NQF LEVELS <1 - 4:

NQF LEVEL	<1		1		2		3		4		TOTALS		
	M	F	M	F	M	F	M	F	M	F	M	F	
Legislators					1		1	2	10	1	12	3	15
Directors, Corporate Managers									7	1	7	1	8
Professionals									2		2		2
Technicians, Trade Workers			9		9		7		29	2	54	2	56
Community and Personal Service Workers					4	1	10	1	39	10	53	12	65
Clerical and Administration Workers			1	2	1	1	6	8	23	83	31	94	125
Machine Operators and Drivers	1		13		6		5		16	4	41	4	45
Labourers	12		209	27	92	9	56	13	23	2	392	51	443
TOTAL	13		232	29	113	11	85	24	149	103	592	167	759

NQF LEVELS 5-8

NQF LEVEL	5		6		7		8		TOTALS		
	M	F	M	F	M	F	M	F	M	F	
Legislators	3	4	1						4	4	8
Directors, Corporate Managers	2	2	8	1	2		1	1	13	4	17
Professionals			1						1	0	1
Technicians, Trade Workers	16	5	4			1			20	6	26
Community and Personal Service Workers	6	1	1						7	1	8
Clerical and Administration Workers	9	11	1	3		1			10	15	25
Machine Operators and Drivers											
Labourers		1								1	1
TOTAL	36	24	16	4	2	2	1	1	55	31	85
TOTAL	36	24	16	4	2	2	1	1	55	31	85
TOTAL NQF LEVELS <1-4	13	232	29	113	11	85	24	149	103	592	759
GRAND TOTAL	49	256	45	117	13	87	25	150	158	623	844

Pension, Retirement and Provident Funds and Medical Aid FundsPension, Retirement and Provident Funds

Council and its employees contribute to the following Pension or Provident Funds:

FUND	COUNCIL CONTRIBUTION (%)	MEMBER CONTRIBUTION (%)
Cape Joint Pension Fund	18%	9%
Cape Joint Retirement Fund	18%	9%
South African Local Authorities (SALA) Pension Fund	18,07%	8,6%
South African Municipal Workers Union (SAMWU) Provident Fund	12%	5%

Membership Numbers

The table below shows accredited pension schemes and membership numbers as at 30 June 2009:

FUND	MEMBERSHIP
Cape Joint Pension Fund	38
Cape Joint Retirement Fund	413
SALA Pension Fund	32
SAMWU Provident Fund	301

Medical Aid Schemes

Membership is not compulsory and employees have a choice to belong to one of the medical aid schemes accredited by the South African Local Government Bargaining Council.

Council contributes 60 per cent towards the monthly premium up to a maximum of R2 579,91 per month (determined annually).

Employees are allowed to change between funds during the window period, which is normally during October and November of each year.

The table below shows accredited medical aid schemes and membership numbers.

FUND MEMBERSHIP	2006/07	2007/2008	2008/2009
Bonitas	67	159	226
Hosmed	144	131	115
L A Health	74	62	62
Key Health	64	72	66
SAMWU Med	76	101	98

Salary Trends: 2007 - 2009

The table below shows trends at the Municipality for the last three years. Salaries are also expressed as a percentage of total expenses.

	2007	2008	2009
Total expenses	R353 748 770	R338 135 670	R370 097 915
Salaries	R144 396 464	R101 581 414	R117 250 277
Salaries as % of total expenses	40,8%	30%	31,7%

6.3.3 Change Management and Policy Development

6.3.3.1 Introduction

The Sub-Directorate Change Management and Policy Development is responsible for the following core functions:

- Integrated Development Plan (IDP).
- Employment Equity.
- Performance Management System (PMS).
- Transformation and Change Management.

6.3.3.2 The IDP Process

The IDP process and the drafting of outputs were co-coordinated internally by identified role players who oversee the whole process.

The Municipality made provision for the civil society to participate through various public participation meetings with local communities in the development of the IDP. Engagement and consultation through ward committees were held to ensure that in this way all inputs from the various communities in the municipal area were taken into account.

Through this process the Municipality committed itself to ensure that the IDP process is fair and transparent when the final document is developed.

To broaden community participation the Municipality also utilised radio announcements and publications to inform the various communities of the importance of community involvement.

The full participation of all stakeholders is regarded as essential for the success of the IDP and requires the total commitment of those who are involved in it.

A total of 16 public participation meetings were held in each of the municipal wards as follows:

WARD	VENUE	DATE	ATTENDANCE	ATTENDANCE
			2009/10	2008/09
2	KwaNonqaba Community Hall (Elangeni, Khayelitsha, Asla Park)	08/09/08	52	81
7	Brandwacht Community Hall Ruiterbos	15/09/08	27	83
1	KwaNonqaba Community Hall	16/09/08	33	
12	Joe Slovo Community Hall Nativity Church Hall	11/09/08 18/09/08	91 16	87 18
3	Asla Park Multi Purpose Centre	09/09/08	29	70
4	Friemersheim Green Haven Library Hall	17/09/08	30 24	16 30
7	Boggomsbaai	18/09/08	14	
6&8	Town Hall/Heiderand	15/09/08	29	24
5	Rheebok Community Hall, Rheebok, Powertown Area	08/09/08	39	18
7	Herbertsdale Church Hall (Herbertsdale and Buisplaas)	09/09/08	27	73
9	D'Almeida Community Hall	10/09/08	29	80
10	Hartenbos Library Hall (Hartenbos and Sonskynvallei)	11/09/08	33	40
11	Dana Bay Community Hall Indoor Sports Centre (Extension 23)	15/09/08 17/09/08	11 11	10 12

The common issues raised during the public participation meetings were the following:

- Proper street lights and the upgrading of electricity.
- Upgrading of roads and the tarring of street needs.
- Housing projects to realise.
- Bush clearing.
- Sports facilities/youth development.
- Proper traffic signs.
- Play parks/grounds.
- Upgrading of sewerage networks to curb constant blockages.
- Speed bumps.
- Building of multi-purpose centres and upgrading of community halls.
- Upgrading of storm water drainage systems.
- Graveyards.
- Upgrading of libraries and building of more libraries.

All phases of the IDP were completed within the stipulated time frames and in general attendance at all meetings was satisfactory.

Attendance, however, remains a challenge, as is education to make the community more aware of the IDP process. Funding of the IDP process also needs to be attended to.

6.3.3.3 Performance Management System (PMS)

The Municipality is in the process of developing and implementing a performance management system, as required by legislation.

The process to develop the system was managed as follows:

- A draft PMS implementation plan was developed and submitted.
- A draft performance management policy framework was developed to assist with the implementation and management of the PMS and presented to the Mayoral Committee and the management team.
- Workshops to introduce PM to staff and to obtain their input on performance management requirements and expectations were completed and the outcomes were presented to the Mayoral Committee and management.
- The Audit Committee of the Municipality also acts as the Performance Management Committee and received training regarding their role in performance management and the principles of performance management.
- Performance agreements and plans for the Section 57 employees were developed and adopted.

Council also approved an organisational Service Delivery and Budget Implementation Plan (SDBIP), which is used as an integral part of performance measurement. An electronic reporting system is utilised for monthly and quarterly reporting on key performance indicators.

The table below shows the PMS implementation plan:

ACTIVITY	ACTIVITY	ACTIVITY
Phase 1: S57 contracts	COMPLETED	COMPLETED
Draft contracts as per the SDBIP	August 2008	July 2009
Workshop with directors	August 2008	June 2009
Presentation and approval	August 2008	July 2009

Phase 2: Review, alignment and update of the Performance Policy Framework		
Presentation to directors and other directorates	Completed	January 2009
Submission to Local Labour Forum (by Municipality)	Municipality to submit	March 2009
Submission for approval	Submitted to Council	March 2009
Phase 3 : PMS design and PMS manual		
Workshops with Directorates	Departmental workshops to determine specific needs:	February 2009
	Financial Services	24 February 2009
	Corporate Services	23 February 2009
	Electrotechnical Services	23 February 2009
	Community Services	23 February 2009
	Technical Services and Planning	24 February 2009
Design PMS and Manual		March 2009
Finalise motivational plan		March 2009
Submission for approval		April 2009
Implementation workshops		April 2009
Phase 4: PMS implementation over Period of 9 months		
Training: Performance contracts	Training plan to be finalised	May 2009
Implementation	Implementation with hands-on support	May 2009
Training: Performance evaluations	Training plan to be finalised	June 2009
Implementation	Implementation with hands-on support	June 2009
Training: Moderation	Training plan to be finalised	July 2009
Implementation	Implementation with hands-on support	July 2009

6.3.3.4 Employment Equity

The Employment Equity Act, No 55 of 1998, requires the promotion of workplace equity in terms of gender, race and disability.

This Municipality is committed to meeting this requirement and has adopted a five-year employment equity plan up to the end of September 2009. A new draft employment equity plan and succession plan is, however, in process and scheduled for implementation on 1 October 2009.

An Employment Equity Forum, consisting of Councillors and officials, drives the process at the Municipality.

Under representation of black people, women and people with disabilities is still a big challenge in the Municipality and needs to be a major priority to redress and maintain the workforce profile. The focus should be on the recruitment of suitably qualified people from designated groups.

All barriers and practices that hamper the employment of and or advancement of designated persons should be identify and abolished.

Employment equity awareness and training needs to be communicated to ensure the commitment of all employees to the principles and implementation of employment equity and affirmative action.

6.3.3.5 Diversity

Diversity workshops with 76 employees of the Municipality were held during April 2009 to cultivate respect, acceptance and understanding among diverse groups in the Municipality.

The key focus of these workshops was to identify, raise awareness and sensitising managers and workers to differences associated with gender, race, religion, disability and nationality.

6.3.3.6 HIV and AIDS Discrimination Awareness Programme

A total of 52 employees of the Municipality attended a discrimination awareness programme on HIV and AIDS. Motivational speakers from various institutions participated in this event.

A speaker from the South African Police Service briefed the employees on the law and violence. The Departments of Health, Social Services and Labour also participated in this programme to raise the awareness of employees on people living with HIV/AIDS, violence against woman and children and also on employment equity and discrimination.

The awareness programme provided employees with the knowledge and means to protect themselves from occupational exposure to HIV and AIDS as well as to eliminate unfair discrimination and the promoting of non-discriminatory practices in the workplace.

6.3.4 Socio-Economic Development

The Sub-Directorate covers the following areas:

- Local Economic Development.

- Youth Development.
- Ward Committees.

6.3.4.1 Local Economic Development

The Local Economic Development (LED) unit is responsible for stimulating local economic development, job creation and social development.

The following were highlights for the year under review:

- The holding of an LED summit and approval of the LED strategy implementation plan for Mossel Bay in September 2008. The LED Steering Committee elected at the summit met on a quarterly basis during the year under review.
- Approval by Council to investigate the following four anchor projects for the Mossel Bay municipal area :
 - Waste management project for Mossel Bay and rural areas.
 - Fish farm project for Great Brak River.
 - Bee farming and honey bottling plant for Herbertsdale.
 - Wax sheet production in Mossel Bay.

6.3.4.2 Small, Medium and Micro Enterprise (SMME) Development

Council has approved a contract between the Municipality, the Western Cape Department of Economic Development and Casidra (Pty) Ltd to render a support service to small, medium and micro enterprises via the RED Door Business Advice Centre.

An amount of R700 000 was allocated in the 2008/2009 financial year towards the operational budget of the Centre.

The Centre renders business support services such as marketing programmes, mentorship support services, financial support and other programmes such as tax registration, Construction Industry Development Board (CIDB) registration and business plan advice.

The RED Door centre has made a remarkable contribution to the business environment in terms of reaching out to SMME's.

6.3.4.3 Youth Development

Youth forums were established successfully in ten of the twelve Wards in Council.

Forum members attended a substance abuse work session at the offices of the Eden District Municipality, with special emphasis on the use of Methamphetamine (Tik) amongst the youth in the district.

The establishment of the Eden District Youth Council took place over the weekend of 13 and 14 March 2009 and three seats on the Council were allocated to the Mossel Bay Youth Council.

A youth development strategic planning session was held on 1 May 2009 and a Youth Council, consisting of ten members, was established.

6.3.4.4 Ward Committee System

Ward committees were established successfully and functioned very well in ten of the twelve municipal wards. Fruitful discussions were held in Wards 5 and 11 to establish ward committees there as well and it was accepted in a positive manner in both wards.

Councillors and ward committee members received training in policy formulation, project management and conflict management on 1, 2 and 8 August 2008.

A ward committee summit was held on 26 February 2009. The purpose of the summit was to enhance participatory governance, to strengthen the administrative relationship with ward committees and to explain the objective of Government of expanding and strengthening community participation in local government. The summit was attended by 66 representatives from all the ward committees across the municipal area.

6.3.5 Legal Services

6.3.5.1 Introduction

The Mossel Bay Municipality exists as a legal entity and for constitutional purposes as an organ of state within a dynamic legal environment. Various challenges face the Municipality and as a result a legal section became essential for the effective functioning of the Municipality.

The Sub-Directorate: Legal Services, is responsible for the rendering of legal services, which includes legal advice to Council, the Municipal Manager and Directors.

Legal Services are also responsible for scrutinising contracts, commenting on legislation, compiling and reviewing of by-laws, liaising with attorneys regarding litigation by or against the Municipality as well as conducting disciplinary hearings against officials contravening the disciplinary code.

The following is an indication of the administrative workload in the 2008/2009 financial year:

TYPE	2006/2007	2007/2008	2008/2009
Telephone calls received and made	325	6 677	5 107
Correspondence received and sent out	4 522	5 204	3 852
Contracts, memoranda, items and building irregularities	2 247	3 812	3 999

The Legal Services staff component is comprised of the Head: Legal Services, one legal advisor, one legal consultant (appointed on a contract basis), one clerk and two administrative officers. Another position for legal advisor is vacant and will be filled in the new financial year.

The emphasis of this position will be to provide sound labour law advice and assistance to the Municipality.

The legal department will then be fully staffed and will strive to meet the requirements of the Municipality, to minimise the legal risks associated with the Municipality as well as to bring about more effective and efficient service delivery, not only to the community but within the structures of the Municipality as well.

6.3.5.2 Key Performance Indicators

The Key Performance Indicators included the resolving of internal audit queries from the date of final report, the management of external audit queries, the revision and completion of by-laws, the finalisation of contracts, the implementation of Council resolutions, legal action when building regulations are contravened, the transfer of properties, placing of legal notices and the revision of contracts. All Key Performance Indicators have been achieved.

6.3.5.3 Litigation

The Municipality was involved in several legal processes in the year under review, of which the following are of note:

- The Boat House case in Great Brak River that has been finalised to the satisfaction of both parties.
- Ongoing settlement discussions regarding the “De Dekke complex” at Great Brak River. The Municipality has requested a legal opinion from an advocate regarding possible settlement solutions or a speedy arbitration process.

The following cases were still pending at the end of the 2009 financial year:

- Rezoning applications in Da Nova.
- The Elgin House case regarding the contravention of the National Heritage Act as well as building regulations.
- The case pertaining to the tender for the Municipality’s middle-income housing project.
- The revision of the AttPower development facilitation agreement relating to the development of municipal properties at Diaz Beach.

6.3.5.4 Report on Building Contraventions

In the period 1 July 2008 to 30 June 2009, 101 complaints were received about property owners contravening the building regulations. Forty-eight of these cases have been finalised and 53 cases are still in process.

6.3.5.5 By-Laws

By-laws relating to streets, the controlling of storm water, the regulation of the discharging of fireworks, community fire safety measurements, water, electricity and the keeping of dogs have been finalised.

These by-laws have been submitted for final approval to Council where after they will be promulgated before the end of 2009.

By-laws relating to public amenities, caravan parks, cemeteries, refuse removal, sea-shore and sea, traffic and parking, street trading, air quality control, outdoor advertising and liquor trading hours, public places and public nuisances were still in public participation processes at the end of the financial year.

Other possible matters that need to be regulated, and for which by-laws are scheduled for drafting, include fences, child care facilities and public nuisances. It is envisaged that these by-laws will receive attention early in the 2010 financial year.

6.3.5.6 Contract Management System

The contract management system is in place and contracts are managed with reminders to the responsible persons of expiring dates, escalations and compliance to contractual liabilities/obligations.

6.3.6 Libraries

The ten libraries and one mobile library in the Mossel Bay municipal area are responsible for the reading and learning needs of the various communities.

The libraries try to promote a culture of learning and reading through efficient library services. Learners from all the Mossel Bay schools are making great use of the libraries because of the approach towards outcome-based education. Information is kept up to date by keeping a pamphlet collection and by using internet facilities. The pamphlet collection consists of newspaper and magazine articles.

6.3.6.1 Circulation of Library Material

Library material was circulated as follows:

	2006/2007	2007/2008	2008/2009
Books	413 078	645 864	544 488
Periodicals	16 574	17 451	18 876
Cassettes and CD's	3 538	2 849	2 562
Video's and DVD's	3 043	2 452	2 721

The library personnel try to create a pleasant atmosphere in the libraries and to make people feel welcome. The personnel of the children sections encourage children to read by reading stories to them, by puppet shows, reading competitions and issuing reading certificates to children who read a lot.

6.3.6.2 Stock Maintenance

Library personnel maintain all stock on a continuous basis to ensure that material is in a neat condition for users. The Provincial Library Service supplies plastic covers for the regular replacement of worn-out covers. The wear and tear on library material is high because of high usage.

Library stock is supplemented regularly with new books that are received from the Provincial Library Service. Donations are also received from the public.

The stock levels at the various libraries over the past three financial years were as follows:

LIBRARY	2006/2007	2007/2008	2008/2009
Brandwag	1 935	1 903	1917
Buisplaas	374	466	486
D'Almeida	12 374	12 711	12 727
Ellen van Rensburg	17 725	17 717	17 956
Friemersheim	3 419	3 735	3 796
Greenhaven	6 725	7 044	7 165
Hartenbos	22 505	23 007	23 275
Herbertsdale	4 171	4 160	4 198
KwaNonqaba	10 960	11 125	11 149
Mossel Bay	39 925	40 888	40 964
Ruiterbos	935	960	899
Total Stock	120 778	123 716	124 532

A total of 689 books were lost during the financial year. This is 0,56% of the total stock. Personnel try on a continuous basis to curb losses. Reminders are sent to borrowers when their books are late. People are also reminded by phone if their books are long overdue.

A fine-free month is held in March and November every year to try and get overdue books back. Patrons are encouraged to return their books without having to pay a fine.

6.3.6.3 Community Work

Community tasks include visits to schools and crèches as well as to homes for the aged.

As it is difficult for the aged to visit libraries, the Hartenbos Library takes books to the old-aged homes on a weekly basis.

Story hours and puppet shows are presented to school children and learners are taught how to use a library. Personnel also communicate with teachers to find out about forthcoming school assignments so that the required information can be made ready in time.

Music evenings are organised by the Ellen van Rensburg Library. This is to get the community involved in other aspects of the library as well. The bigger libraries in the Mossel Bay area have good music collections.

Some of the libraries are actively involved with book reading groups, and books as well as reviews are circulated amongst the reading groups.

The Mossel Bay Library has a Library Business Corner. The purpose of the Business Corner is to provide the community with business-related books, newspapers, journals, periodicals, brochures, pamphlets and clippings. The facility makes it easier and more inviting for business people to find useful material.

6.3.6.4 Membership

At the end of June 2009 the ten libraries and one mobile library in the Mossel Bay municipal district had a total membership of 27 773. This is 3 867 more than the previous financial year and an increase of 13 per cent.

The membership at the various libraries is shown below:

LIBRARY	2007/08	2008/09
Brandwag	167	140
Buisplaas	24	28
D'Almeida	2 944	3 141
Ellen van Rensburg	2 291	2 666
Friemersheim	470	567
Greenhaven	688	980
Hartenbos	3 710	3 802
Herbertsdale	609	709
KwaNonqaba	2 515	2 851
Mossel Bay	12 943	12 818
Ruiterbos	67	71
TOTAL MEMBERS	23 906	27 773

6.3.6.5 Personnel

The ten libraries and one mobile library employed 32 people in the year under review. Five of the 32 people were paid from the conditional grants received from the Provincial Library Service.

6.3.6.6 Total Operating Cost

Total operating cost for the year under review amounted to R7 301 806. This was R4 211 317 more than the previous year's operating cost.

6.3.6.7 Extension Work

Library Week was held from the 16 March 2009 until 20 March 2009 at most of the libraries. The objective of this event was to bring schools and libraries together, encourage reading, develop early reading skills and reducing illiteracy.

Programmes were presented in the mornings and afternoons. The morning programmes were held for all pre-scholars, while the afternoon programmes catered for school learners and the general public. The Executive Mayor, Alderlady Marie Ferreira, also attended some of the events.

The programme included the following:

- 16 March 2009: Spelling Bee.
- 17 March 2009: Spelling Bee.
- 18 March 2009: Colouring competition.
- 19 March 2009: "Race for Knowledge" poster or bookmark design competition.
- 20 March 2009: "Race for Knowledge" around the Point.

The Mossel Bay, D'Almeida and KwaNonqaba Libraries together held a march through the town and around the Point. At the Point the children of the KwaNonqaba Library danced and sang for the rest of the children. There were lucky draws and excellent prizes were won.

At D'Almeida, Library Week started on a high note with an educational puppet show. Approximately 80 children attended this show and were also surprised with a visit by the Mayor, Alderlady Marie Ferreira. The programme included the showing of the High School Musical 3 film and a talk for high school students about the dangers of drug abuse. Children from three different crèches were entertained by a local magician.

Without the sponsorships and the participation from the public, Library Week could not have been such a huge success.

Free bags, bookmarks and stickers were given out at all the libraries.

Holiday programmes were also held at the Mossel Bay Library during the school holidays. The programmes included puppet and magician shows and craze games. Reading clubs were also organised and the children received certificates for reading.

At the KwaNonqaba Library the staff regularly invites the aged for tea and coffee and storytelling in the library.

6.3.7 Support Services

The Support Services Sub-Directorate renders a secretarial service to Council and support services to the organisation as a whole. It is sub-divided into the following sections and is managed by the Head: Support Services:

- Secretariat.
- Typing.
- Archives.
- Switchboard.
- Cleaning and Gardening.
- Informal Trade.

6.3.7.1 Secretariat

Secretarial Services

The Secretariat is supervised by a Senior Administrative Officer. During the period under review, secretarial services were rendered in respect of:

	2006/07	2007/08	2008/09
Special Council Meetings	10	12	10
Ordinary Council Meetings	4	4	3
Standing Committee Meetings	40	40	40
The number of recommendations made to the Executive Mayoral Committee by the respective Committees were:			
• Technical Services Committee	218	233	199
• Community Services Committee	117	104	86
• Financial Services Committee	218	233	140
• Corporate Services Committee	78	83	65
TOTAL	631	653	490

The Municipality annually invites tenders for translation services for Council and Committee Meetings and it can be mentioned with pride that a disabled woman was awarded the tender for the 2009/2010 financial year.

Executive Mayoral Decisions

Over and above the abovementioned, the following are statistics for the Executive Mayoral decisions taken during the year:

2006/2007	2007/2008	2008/09
75	76	63

Photo copies

The statistics in respect of photo copies made for meetings of Council and Committees of Council are:

2006/2007	2007/2008	2008/09
1 801 476	2 061 572	2 000 969

6.3.7.2 Administrative Services

As mentioned above, the Sub-Directorate: Support Services is also responsible for overall administration services to the Municipality. In this regard, it renders the following services:

Typing

A typing pool manned by three typists and a head typist does the typing of all minutes of Council and Council Committee meetings. The position of head typist was created to streamline the activities in the typing pool for more effectiveness.

Archives and Workflow

New cabinets to the value of R138 616 were installed in the Archive Section to create a neat appearance and to ensure the orderly filing of documents.

The Collaborator system, the archive management system for a proper document and workflow, is functioning well.

During the past two years several features were added to the Collaborator system. The following are still in the process of being implemented:

- Personnel Transfers.
- Employment Termination.
- Leave Management.
- Booking Resorts.
- Customer Care.
- Supply Chain Management.

The Municipality has a contract with the Eden District Municipality for a support function for the Collaborator systems. The District Municipality makes use of the company Business Engineering for this purpose, and the following services were rendered over the past two financial years:

SUPPORT ACTIVITIES	2007/2008	2008/09
User Training	199	147
Ad-hoc Support	322	256
Pro-active Support	257	184
Business Processes	39	127
TOTAL	817	714

The following items of correspondence were handled by the Archive Section during the past three financial years:

	2006/07	2007/08	2008/09
Post/Mail/Fax	17 220	15 979	20 613
Outgoing Correspondence	6 491	5 268	6 046
Internal Memorandums	1 110	2 498	2 186
Public Service Requests (Electronic)	309	174	63
Receival Notifications	767 *	2 003	1 476

(*±7 months only)

Switchboard

The section renders switchboard services to the organisation during office hours. Statistics of calls received or made are as follows:

2006/2007	2007/2008	2008/09
1 090 734	1 059 954	741 952

An after-hours telephone service is rendered by the Municipality's Fire Services.

Cleaning and Gardening

This section provides daily cleaning services at nine of the buildings housing personnel across the municipal area. It also takes care of the grounds and gardens at the main building.

6.3.7.3 Informal Traders (Hawkers)

The allocation of hawker sites falls under the Head: Support Services in the Directorate: Corporate Services. Informal trading (hawking) is done in a very orderly manner.

Council has an Entrepreneurs Forum, which consists of the Executive Mayoral Committee, two members of the Formal Sector and two members of the Informal Sector.

This Forum meets on a regular basis to consider applications for informal trading. Applications are approved according to a set of rules as determined by the Forum. Informal trading can only be done on stands that have been identified by the Directorate of Town Planning and Urban Control.

The Independent Entrepreneurs Association administers all applications for informal trading during the seasonal periods (December and January and the Easter holidays). This Association has a constitution and a set of rules which are binding on all traders during the seasonal periods.

The Head: Support Services is the Municipality's representative at this Association, which also ensures the orderliness of informal trading over the seasonal periods.

The Municipality at present has the following seasonal stands for informal hawkers:

Hartenbos	127
Point	15
De Bakke	5
Santos Beach	14
Great Brak River	5
Little Brak River	5

Due to the fact that informal trading in Mossel Bay is highly structured, very few, if any, problems are encountered.

6.4 Electrotechnical Services

DIRECTOR: S NAIDOO

6.4.1 Overview

The Directorate Electrotechnical Services is responsible for the management of the following services:

Electricity Distribution

The safe and efficient distribution of electricity to approximately 29 913 customers, with an accumulative maximum demand of 65 MVA.

Street Lighting

The maintenance of approximately 11 000 street lights along various streets and at public open spaces.

Fleet Management Services

The maintenance and leasing of vehicles for all departments.

Safety Management

Provide managerial support to all departments to ensure the practical implementation of the various requirements of the Occupational Health and Safety Act, No 85 of 1993.

The Directorate consists of approximately 71 employees that operate from strategically placed offices and workshops at Mossel Bay, Hartenbos and Great Brak River.

6.4.2 Overall Goals and Objectives

The overall goal and objectives of the Directorate are as follows:

- To ensure that electricity is distributed in accordance with NRS 047 and NRS 048 standards and in compliance with the Electricity Regulation Act, No 4 of 2006.
- To develop an asset management plan to address ongoing maintenance, backlog eradication and to provide infrastructure to meet future demands.
- To reduce technical and non-technical losses by ensuring that overloaded equipment are replaced timeously and regular audits are undertaken on meters to replace or rectify faulty or bypassed meters.
- To implement demand side management measures and energy efficient lighting to reduce energy consumption during peak periods.
- To implement renewable energy technologies to meet the requirements of the White Paper on the renewable energy (Notice 513 of 2008).

- To train and motivate personnel to ensure high standards of workmanship and that safety procedures are strictly adhered to at all times.
- To implement a managed maintenance service for all municipal vehicles.
- To ensure that all staff operate within a safe and healthy environment by mitigating all risks at workplaces.

6.4.3 Highlights

The highlights during the 2008/2009 financial year were as follows:

- A new 66/11kV, 20MVA substation was established at Sonskynvallei to cater for new developments at Voorbaai, Hartenbos and Monte Christo.



- A total of 687 streetlights were replaced along various streets to improve the intensity of the existing lighting. A further 81 street lights were installed in dark areas to enhance safety.
- A total of 2 620 planned maintenance tasks on electrical equipment were carried out to prevent deterioration of assets and to ensure continuity of supply.
- Seven kilometers of dilapidated 11kV overhead line were completely reconstructed in several parts of the network.
- Outdated or obsolete medium voltage switchgear was replaced at four major substations (Nestlé substation, Bayview substation, Daley substation and Intake substation).

- Approximately 2,5 kilometres of 11kV, underground cable was installed at Midbrak to reinforce the medium voltage network.
- A total of 215 houses at Elangeni were electrified.

6.4.4 Critical Challenges and Priorities for 2009/2010

The critical development challenges and priorities for the Directorate are as follows:

- To ensure that all new houses are timeously electrified.
- To ensure that all major substations and feeders have sufficient capacity to cater for new developments.
- To prevent the illegal construction of dwellings under high voltage overhead lines.
- To promote energy efficiency programmes to prevent the wastage of electricity.
- To improve the level of lighting along all major roads and public open spaces.

6.4.5 Functional Delivery Statistics

6.4.5.1 Capital and Operating Costs

CAPITAL	2006/2007	2007/2008	2008/2009
Internal	R9 201 432	R6 579 423	R17 009 306
Ad Hoc	R3 761 501	R2 126 059	R1 658 369
OPERATING TOTAL			
Expenses	R75 711 000	R100 138 716	R112 332 063
Income	R119 504 000	R136 978 616	R158 053 176

6.4.5.2 Employment of Human Resources

		2006/2007		2007/2008		2008/2009
DISCIPLINE	NO	COST (R)	NO	COST (R)	NO	COST (R)
Consulting Engineers	2	50 000	2	84 000	2	75 981
Office Personnel	3	1 233 820	4	1 747 459	4	1 956 360

		2006/2007		2007/2008		2008/2009
Field Staff	54	5 787 654	64	7 116 002	64	9 225 821
Contract Personnel	3	2 717 238	3	-	-	-

6.4.5.3 Consumers and Power Consumption

TYPE	2007/2008		2008/2009	
	UNITS (KWH)	AMOUNT (R)	UNITS (KWH)	AMOUNT (R)
Household	125 425 895	60 851 480	138 867 722	69 634 437
Commercial	22 581 040	12 036 455	22 463 041	7 938 574
Industrial	119 647 884	39 328 993	117 469 434	56 936 183
Other	5 689 590	7 388 823	5 602 358	20 734 257

6.4.5.4 Total Units Purchased from Eskom

2007/2008	2008/2009	% INCREASE
303 107 413	307 403 704	1.425

The total technical and non-technical losses amounted to 4,99%.

6.4.5.5 Consumers in Municipal Supply Area

SUPPLIER	2006/2007	2007/2008	2008/2009
Municipality	28 420	29 583	29 913
Eskom	480	480	480

6.4.5.6 New Connections

2007/2008		2008/2009	
1 163	R1 779 361	330	R1 243 546

6.4.5.7 Free Basic Supply

	2006/2007	2007/2008	2008/2009
Units	5 739 800	7 049 017	7 681 610
Cost	2 514 032	3 050 567	3 802 839

6.4.5.8 Restoration of Supply after a Force Interruption

MONTH	TOTAL NUMBER OF FORCED INTERRUPTIONS	SUPPLY RESTORED WITHIN 1,5H		SUPPLY RESTORED WITHIN 3,5H		SUPPLY RESTORED WITHIN 7,5H	
		Actual	%	Actual	%	Actual	%
July	228	200	87,7	218	95,6	221	96,9
August	187	179	95,7	181	96,8	184	98,4
September	228	215	94,3	219	96,1	224	98,2
October	281	270	96,0	275	97,8	279	99,2
November	273	265	97,1	269	98,5	271	99,2
December	193	185	95,9	186	96,4	189	97,9
January	232	223	96,1	229	98,7	230	99,1
February	173	168	97,1	169	97,7	171	98,8
March	180	174	96,6	176	97,7	178	98,8
April	178	173	97,2	175	98,3	176	98,9
May	200	194	97,0	197	98,5	198	99,0
June	266	256	96,2	259	97,4	260	97,7

6.4.5.9 Backlogs

There are approximately 1 600 informal houses in unproclaimed areas that are not electrified.

Most of these backlogs will be addressed with the construction of the low income housing in Joe Slovo, Asazani/Izinyoka and Elangeni.

An amount of R3 million has been approved by the Department of Mineral and Energy for the electrification of new houses during the 2009/2010 financial year.

The table below reflects the backlog situation as at the end of June 2009:

	2006/2007	2007/2008	2007/2008
Households that did not have access to electricity in house.	1 800	1 600	1 600
Number of houses that gained access.	300	300	300
Percentage of capital budget spent on above	100	-	-
Percentage of capital budget underspent	-	-	-
Percentage of capital budget underspent,	-	-	-
MIG funding available; amount spent (R'000); percentage spent	-	-	-
Names as well as details of areas with backlogs	Wolwedans, Powertown, Joe Slovo, Asazani/Izinyoka	Wolwedans, Joe Slovo, Asazani/Izinyoka	Wolwedans, Joe Slovo, Asazani/Izinyoka
Amount needed to address backlogs	R8 100 000	R8 000 000	R10 000 000
Timing when backlogs will be addressed	4-5 years	4-5 years	2-3 years

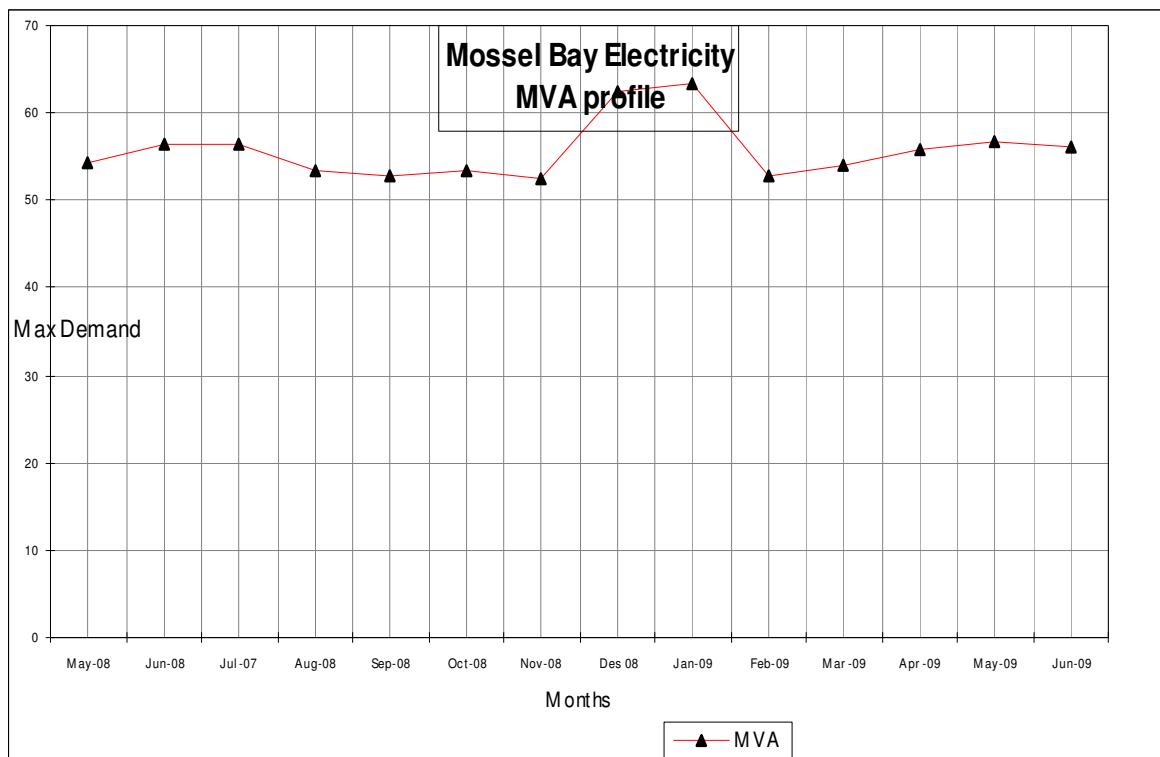
6.4.5.10 Load Profile for 2008/2009

MONTH	KWH	M/DEMAND MVA	R MILLION.
July 08	27 058 609	57, 49	10, 255
August 08	25 813 721	53, 419	9, 413
September 08	24 832 299	52, 676	5, 481
October 08	25 146 840	53, 383	5, 556
November 08	24 163 641	52, 612	5, 272
December 08	29 610 600	62, 492	6, 147
January 09	26 668 298	63, 418	5, 808
February 09	23 028 116	52, 752	5, 109

MONTH	KWH	M/DEMAND MVA	R MILLION.
March 09	25 601 387	53, 867	5, 571
April 09	25 062 670	55, 860	5, 447
May 09	25 170 399	56, 745	5, 476
June 09	25 278 310	56, 062	9, 402

6.4.5.11 MVA Profile

The graph below reflects the Mossel Bay Electricity MVA profile:



6.5. Financial Services

DIRECTOR: H BOTHA

6.5.1 Introduction

The Financial Services Directorate is responsible for managing the financial affairs of the Municipality. The Directorate Financial Services consists of five departments with a total number of 82 employees. This includes six contractual meter readers. The management of this Directorate consists of the Chief Financial Officer and five Heads of Departments.

6.5.2 Strategic Issues

This Directorate focuses mainly on the strategic financial issues of the Municipality. These issues are the daily management of the Sub-Directorates with regard to Income, Expenditure, Supply Chain Management, Finance and Information Technology.

Each of the Sub-Directorates is managed by a departmental head. The Chief Financial Officer focuses mainly on the long-term financial issues. This includes *inter alia* the planning and solving of high-level problems in the aforementioned Sub-Directorates and the planning and solving of budget-related issues and financing of budgets.

The latter consists of the operational as well as capital projects which are approved in the Integrated Development Plan (IDP) of the Municipality. The IDP runs over a period of three years.

Other key performance areas are as follows:

- Compilation of the budget, the Integrated Development Plan (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and the adjustment budget. All of these projects were completed within the prescribed timeframes.
- The Annual Financial Statements were completed before 31 August 2008, which is also within the timeframes prescribed in the Municipal Finance Management Act (MFMA), No 56 of 2003.
- One of the main challenges over the past financial year was the implementation of further Generally Recognised Accounting Principles (GRAP). This Municipality was previously identified as a high capacity Municipality, which had to have most of the GRAP standards implemented by 30 June 2009. Good progress was made in this regard over the past financial year.
- The Income Sub-Directorate again did a very good job on the collection of outstanding debts. An average collection rate of 98 per cent was reached over the past financial year. This is quite extraordinary giving the very difficult economic times we presently experience. The process of identifying and writing-off of obsolete debts was also continued over the past financial year.

- The Expenditure Sub-Directorate performed well as all creditors were paid within 30 days and salaries were paid on time. The stores section was also issued with an audit report showing no discrepancies at all.
- The SCM unit excelled with the implementation of the SCM policy. The appointment of staff and the implementation of a computerised SCM system are some of the main objectives for the 2009/2010 financial year.
- The IT Section was also very busy with the upgrading of IT-related infrastructure over the past financial year. This *inter alia* includes the upgrading of servers and the solving of IT-related problems of all departments in the Municipality. One of the many projects over the past financial year was the replacement of all existing personal computers with newly rented personal computers.
- It can be said that all the departments in the Financial Services Directorate are well managed and that the staff are competent with a positive attitude towards their work.

6.5.3 Information Technology

6.5.3.1. Introduction

Although small in numbers, this Sub-Directorate fulfils a very sophisticated support service to the whole of the Municipality in the form of data and Voice Over Internet Protocol services to all offices and satellite offices.

The staff complement consists of the information technology (IT) manager, network operator, IT technician, senior data operator, database clerk and data operator.

They provide services to the municipal offices at Montagu Place (Town Planning), George Road (Human Resources and Electricity), the Old Power Station (Supply Chain Management), Point Caravan Park, De Bakke Caravan Park, Hartenbos (Technical Services), Great Brak River, Friemersheim, Herbertsdale, KwaNonqaba, Golden Rendezvous (Traffic), Stores and Fire Brigade as well as the personnel who have radio links to their homes.

6.5.3.2. Functions

This unit manages the following hardware and software :

- Promun Server – AIX with Progress Database.
- Collaborator Server – Microsoft 2003 Server and MSSQL 2005.
- Dell SC440 Server – Geographical Information System, Trend Micro Antivirus, Promun II.
- Dell SC440 Server – Active Directory, Routemaster (Handheld Terminals).
- Dell SC440 Server – Active Directory, Virtual Private Network.
- Dell GX520 Server – Capman HR Management Terminal Server.
- IBM Tivoli Server – Windows 2003 Server, Daily Backup and Disaster Recovery.

- IBM Tivoli DR Server – This server is off the premises and will take care of Disaster Recovery in the event that the abovementioned server has been destroyed.
- IBM Web Server – SuSE Linux.
- Intel Server - Windows 2003 Server with MSSQL and MySQL for new content manageable web application.
- 6xDell SC440 Server – Active Directory and File Servers at Satellite Offices.
- 2xMedio Server R300 – Running an in-between Oracle Database for the exchange of data between Promun and IRIS (Pre-paid Vending Solution).
- Dell PE R200 Server – Linux Server for the Firewall.
- Dell GX280 – Linux Server for the Proxy Server.
- Dell PE 2900 Server – Linux Server for the Mail Server.
- Dell 1850 Server – New Mail Server.
- Dell GX620 – Linux Server for the Mail Archiving.
- Pentium 4 PC – Linux Server for the Print Server.
- Compaq Server – Linux Server for the File Server.
- Dell SC440 Server – Linux Server for Helpdesk and Nagios.

The main function of this unit is to provide continuous support to all users and ensure a 100 per cent uptime of all the different systems in use by the Municipality. The main challenges in achieving this goal are hardware component failure, power disruptions and critical software updates.

Notwithstanding these problems, an uptime of 98,7 per cent was reached in the last quarter of the year under review. Measures to achieve this percentage have been very successful because of the installation of new generators at strategic sites and due to the appointment of a new employee with very good knowledge of the radio equipment in use.

The IT manager oversees the whole unit and at present also the Promun financial system. The network operator's main area of responsibility is that of the network and servers. The newly appointed IT technician's main area of responsibility is end-user support. The data operators see to the flow of data onto the financial system and also the daily balancing of all subsystems to the financial system, ensuring that good financial controls are kept in place at all times.

Since the new Tivoli backup system has been implemented the size of the backup has grown to 1400 Gigabytes. Processes that monitor all network links, enabling a speedy reaction if a service is interrupted, and a mail archive system have also been implemented.

A new website that is content-management based has been implemented. This will ensure that the site is vibrant and up to date.

The Municipality has contracted service providers that look after the wireless infrastructure, the GIS, network cabling and the provision of printer peripherals and maintenance.

6.5.3.3 Performance of IT Personnel

The appointment of a network operator improved the overall performance of this unit with specific improvements in the overall uptime of services, speedily resolved hardware and software problems and better overall networking capabilities.

The appointed data operator was trained in all aspects of the senior data operator's functions and has proved to be of great value to the section. The newly appointed database clerk, who is also tasked to look after the GIS and website administration, has proved to be of equally great value to the Sub-Directorate and to the Municipality as a whole. All expectations and deliverables were met to the best of the personnel's abilities and the overall performance of the unit is applauded.

6.5.3.4 Projects

The past year has been quite a busy one as far as projects are concerned. This unit had an approved capital budget of R120 000, and the two major projects were that of implementing an offsite Tivoli backup DR server and a new Firewall server.

The new off-site Tivoli backup server will ensure data protection at all times, especially when the current Tivoli back-up server fails. All Active Directory servers and services have now been implemented and finalised. Mail, spam and anti-virus packages have been streamlined. These proved to be very effective in the workplace.

The Systems Audit done by the Auditor-General highlighted some issues which are in the process of being addressed. One of these is the setup of various policies for the IT unit by a lawyer specialising in IT.

All new rented personal computers were rolled out over a period of four weeks from mid-December 2008 to mid-January 2009. A total of 132 personal computers were installed over that period. It replaced all the old personal computers that were shipped back to the supplier.

6.5.3.5. Objectives

This unit's ultimate objective is to deliver an uninterrupted service to all the users of all systems.

The unit is always working towards an unqualified systems audit report by implementing various checks and balances and software monitoring tools on the networks and systems. Policies have also been implemented to address various strategic issues.

File servers have been installed at all the satellite offices to double up as mail and Active Directory servers to minimise the data flow over the radio network. This proved to be a step in the right direction. The newly appointed IT technician, who has experience in the field of radio communication, has been able to solve the voice quality problem that was encountered over the past few years.

A priority in the financial year ahead will be all administrative issues as well as aligning them with the policies and legislation in place.

6.5.4 Financial Services

6.5.4.1 Overview

The main responsibilities of this Sub-Directorate are financial recordkeeping, compilation of the Municipality's Annual Financial Statements, internal and external loans, asset registers, cash book and cash flow, compiling of annual budgets, budget control, internal and external auditing and financial reporting to various stakeholders. It also fulfils the important role of a budget and treasury office as prescribed by the Municipal Finance Management Act (MFMA), No 56 of 2003.

All the key positions in the section were filled during the 2007/08 financial year. A post for an accountant is still vacant.

The Municipality is committed fully to the conditions of the Financial Management Grant (FMG) and has appointed interns to secure sound and sustainable management of the fiscal and financial affairs of the Municipality.

The Municipality is also committed to promoting and supporting reforms in financial management by building capacity internally. Four new interns were appointed, of whom two were appointed with effect from 1 June 2009 and the other two with effect from the 1 July 2009.

6.5.4.2 Key Performance Indicators

The following are the key performance indicators of the Financial Services Sub-Directorate, including the critical performance criteria:

- Update asset register.
- Asset survey.
- Compiling of Annual Financial Statements.
- Compiling of draft and final budgets.
- Compiling of adjustment budgets.
- Reporting to the National Treasury as well as the Provincial Treasury according to the MFMA and the Division of Revenue Act (DORA).
- Service Delivery and Budget Implementation Plan (SDBIP) reporting to Council.
- Insurance claims.
- Internal and external audit reports to the Audit Committee.
- Manage insurance portfolio.

The performance of the Financial Services Sub-Directorate is measured against critical performance criteria.

The following is a summary of the outcomes and performance against these criteria:

Budget Processes

The 2008/09 Annual Budget was completed and tabled in Council in accordance with the budgetary process plan of the Municipality in terms of the MFMA.

The Municipality had two adjustment budgets during the 2008/09 financial year, tabled in Council in September 2008 and February 2009 respectively.

Capital Adjustment Budgets

In September 2008 the capital budget of R97 137 601 was adjusted upwards to an amount of R98 087 167, mainly to accommodate roll-over amounts from the previous financial year and additional funding received from the Department of Water Affairs for drought relief.

The capital budget was again adjusted upwards to a final budget amount of R107 447 014 in February 2009, mainly due to funding of R15 426 million received from the National Treasury for flood damages that occurred during November 2007.

Operating Adjustment Budgets

The operating budget of R431 271 127 was adjusted upwards in September 2008 to an amount of R453 678 683 to accommodate Eskom price increases as gazetted on 27 June 2008.

Provision was also made for an amount of R4,5 million to be transferred from PetroSA for deforestation and the rehabilitation of estuaries. These grants, however, did not realise during the 2008/2009 financial year.

The operating budget was again adjusted upwards to a final budget of R482 912 110 in February 2009, mainly due to additional funding received for housing top structures on the Wolwedans housing project and Equitable Share funding to compensate the Municipality for Eskom price increases.

The 2009/10 Draft Annual Budget was tabled by the Executive Mayor on 31 March 2009. The final budget was approved by Council on the 28 May 2009. The 2009/10 budget was compiled in accordance with the Budget and Reporting Regulations as per Gazette 32141, dated 17 April 2009. National Treasury Circulars 42 and 48 were also used as guidelines to compile the annual budget.

Annual Financial Statements

According to the MFMA, the Annual Financial Statements of the Municipality must be submitted to the Auditor-General within two months after the end of the financial year.

The Annual Financial Statements of the Municipality were submitted to the Auditor-General and the National and Provincial Treasuries within the prescribed time frame on 31 August 2008.

The major challenge with regard to the completion of the annual financial statements was the implementation of the Generally Recognised Accounting Principle (GRAP) standards.

The Municipality is classified as a High Capacity municipality and started with the implementation of these standards during the 2005/06 financial year. The target to be fully compliant to these standards was June 2009.

As the Municipality has already complied fully with most of the accounting standards, the following final procedures were attended to during the 2008/09 year in order to comply fully by 30 June 2009:

Standard No	Standard Title	Procedures
GRAP 3	Accounting Policies, changes in accounting estimates and errors.	Investigate what the potential impact of standards approved but not yet effective may be on the annual financial statements.
GRAP 9	Revenue from Exchange transactions.	Use indexed global amounts for restatement as the information systems do not provide for the daily calculations to implement fair value calculations.
GRAP 16	Investment Property	Have review of the standard in order to ensure full compliance and completeness of Investment property on the Fixed Asset Register.

Assets and Annual Asset Surveys

The main project was to perform a physical verification of Property, Plant and Equipment (PPE) and prepare a fixed asset register according to the standards of GRAP 17. As this is a continuous process the following additional procedures were followed towards a complete asset register at 30 June 2009:

- Review the accounting policy regarding PPE.
- Identification and values of infrastructural assets by the engineers.
- Review of useful life of item of PPE recognised in the Annual Financial Statements.
- Review of the depreciation method applied to PPE recognised in the Annual Financial Statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

Asset surveys are done once a year. A survey was done during the 2008/09 financial year from February 2009 and completed in May 2009. During this survey all unmarked inventories and new items were marked and scanned and reconciled with the asset register. All offices were then supplied with an updated inventory list. The final report will be submitted to Council during September 2009.

The asset register is reconciled on a monthly basis.

Financial Reporting

Reporting to various stakeholders happens on an ongoing basis. The following are examples of these financial reports:

- Service Delivery Budget Implementation Plan (SDBIP)

According to the MFMA, a draft annual SDBIP must be submitted to the Mayor fourteen days after the approval of the annual budget and approved 28 days after approval of the annual budget. The SDBIP was submitted and approved within the above time limits.

The Municipality developed an online SDBIP system, with effect from the 2008/2009 financial year. It includes the following:

- ≈ National Key Performance Areas (KPA).
- ≈ Municipal KPA's.
- ≈ Organisational and departmental objectives.
- ≈ Capital programme number.
- ≈ Key Performance Indicators (KPI).
- ≈ KPI definition / unit of measurement.
- ≈ Ward.
- ≈ Programme driver.
- ≈ Baseline.
- ≈ Target unit.
- ≈ Quarterly targets.
- ≈ Quarterly actual.
- ≈ Quarterly comments on each KPI.

The capital KPI's and capital projects are linked to the Integrated Development Plan (IDP) priorities. This online system also makes provision for reasons to be provided if the specific target is not reached.

- In-year Monitoring Report (IYM)

According to the MFMA, a monthly budget report must be submitted to the Mayor on the tenth working day of each month. All twelve monthly reports were submitted to the Mayor in accordance with the abovementioned due dates.

- Quarterly, Annual and Ad Hoc Reports

Various other reports are submitted to Council, the Auditor-General, the National and Provincial Treasuries and other Provincial Departments within the applicable due dates as set out per legislation.

6.5.5 Income Services

6.5.5.1 Introduction

The main responsibilities of this Sub-Directorate are:

- The customer care, cash and management of sundry debtors.
- Assessment rates.
- Debt collection and credit control, including pre-paid electricity administration.
- Valuations.
- Consolidated accounts (water, electricity and refuse removal).

This Sub-Directorate employs 36 permanent employees and six contractual appointments. The following are its strategic objectives:

- To align the income department with the IDP objective of encouraging customers to pay their accounts on time.
- To broaden customer participation through proper customer education.
- To reduce outstanding debt.
- To provide a proper customer care system.
- To comply with the relevant legislation and the implementation of various policies.
- To create proper internal cash management and control systems.

6.5.5.2 Key Performance Indicators (KPI's)

The following were the key performance indicators set for the 2008/2009 financial year to render an effective and efficient service to the public:

- The timely delivery of correct and user friendly accounts: An average of 45 000 accounts, with a newsletter attached, are posted monthly.
- Ensure that all correspondence and enquiries are answered as soon as possible: Ninety-five per cent of all correspondence and enquiries are answered within three working days. Only in very rare cases, where outside information must be obtained, will a query exceed ten days.
- Maintain customer care and front office systems: The front office system is maintained and continuously upgraded to ensure the best possible service and recording of information.
- Percentage of debtor's payments on time: Payment percentages of 98% were obtained up to June 2009.
- Managing of indigent records: An indigent register is kept and all indigent households are revisited once a year.

- Scrutinise arrear accounts individually to ensure efficiency of debt collections: After readings are taken exception reports are printed and most premises are revisited to ensure that the readings are correct.
- Once all the readings and pre-lists are recorded on the system a final exception report is printed and where necessary, the premises are visited again to confirm the reading.
- Reporting of faulty meters to the engineering department: Lists of faulty meters are sent to the engineers on a monthly basis.
- Preparation and finalisation of interim valuations: Two interim valuations were done and finalised by 30 June 2009.
- Updating of all consolidations and subdivisions of properties: All consolidation and subdivision of properties are updated as soon as the information is received.

6.5.5.3 Statistical Information

The following statistical information reflects some of the performance results in this section.

Average Monthly Accounts and Payment Percentages

	2006/2007	2007/2008	2008/2009
Monthly Accounts	43 000	45 000	45 000
Payment Percentages	95,4	96,8	98

Irrecoverable Debts

In order to identify irrecoverable debt an intensive investigation of all arrear debts older than 180 days was undertaken. Debts were written off in the following instances:

- Arrear debt of indigent households: Steps were also taken to prevent the debt from accumulating again.
- Irrecoverable debt on insolvent estates.
- Debt on inactive accounts where the debtor could not be traced or the amount was too small to justify further action.
- Where house visits indicated that the account holder did not qualify for a subsidy but had no assets or means to pay the debt.
- Where the debt was due to water leakages.

As each case needs proper investigation all the arrear accounts have not yet been investigated and the action will only be finalised in the 2009/2010 financial year.

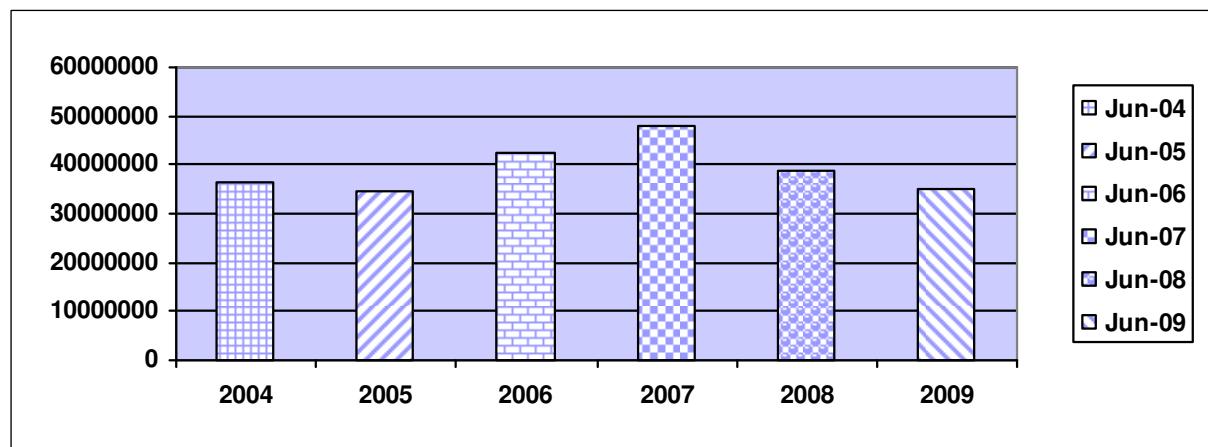
The following table gives a breakdown of debts written off over the past three financial years:

	2006/2007	2007/2008	2008/2009
Water	R137 139	R6 398 268	R4 309 029
Electricity	R230 389	R396 887	R173 823
Refuse Removal	R10 183	R3 758 661	R2 159 751
Sewerage	R159 148	R6 403 855	R6 552 606
Rates	R1 309	R682 779	R218 014
Debt Collection Costs	R41 370	R227 105	R359 225
Housing Instalments		R713 231	
Sundry Debtors		R2 617	R128 112
Total Debts Written Off	R579 538	R18 583 405	R13 900 563

Arrear Debt

The following table and graph show arrear debts over the past six financial years:

	JUNE 04	JUNE 05	JUNE 06	JUNE 07	JUNE 08	JUNE 09
Amount	R36 394 063	R34 754 684	R42 258 715	R47 816 397	R38 613 300	R35 106 500



Subsidies

The following two tables give a breakdown of the number and value of subsidies which the Municipality allocated to indigent and poor households in Mossel Bay.

The indigent subsidies are financed from the equitable share grant, which the Municipality receives from the National Treasury.

The subsidy in respect of poor households is financed from the rates paid and services bought by the rate payers of Mossel Bay.

Indigent Households

	2006/2007	2007/2008	2008/2009
Households	5 176	6 054	7 121
Subsidy per household (VAT excluded)	R246,60	R261,66	R286,11
Total subsidy per month	R1 276 401	R1 584 089	R1 754 523

Poor Households

	2006/2007	2007/2008	2008/2009
Households	1 258	1 276	1 136
Subsidy per household (VAT excluded)	R150	R180	R204.20
Total subsidy per month	R188 700	R229 680	R213 047

Pre-paid Electricity

There is a total of 37 709 electricity meters in the municipal area, of which 13 568 are credit meters and 25 015 pre-paid meters.

Eskom supplies electricity via pre-paid meters to Ruiterbos (92 meters), Friemersheim (214 meters), Brandwag (288 meters) Herbertsdale (187 meters) and Buisplaas (99 meters), giving 874 meters in respect of electricity supplied directly by Eskom to consumers.

A total of 400 consumers in the areas supplied by Eskom are indigent households.

To ensure that these households also receive 50 units of electricity free like the indigent households supplied directly by the Municipality, the Municipality refunds Eskom to supply the 50 free units to these households as well.

The balance of 24 141 pre-paid meters is managed by the Municipality and the following statistics regarding sales, debt collected via pre-paid meters (auxiliary), units sold and new meters installed are based on these meters.

DATE	SALES	DEBT COLLECTED	VAT	UNITS KWH	BASIC SUPPORT SERVICES TARIFF UNITS	FREE RE- PLACEMENT UNITS
Jul 08	R3 635 560	R396 235	R509 095	6 663 296	500 830	24 445
Aug 08	R3 868 690	R385 184	R541 728	7 068 237	507 240	15 565
Sep 08	R3 811 746	R461 796	R533 739	6 962 674	515 820	16 531
Oct 08	R3 883 901	R372 426	R543 844	7 093 775	517 440	11 571
Nov 08	R3 676 976	R340 791	R514 867	6 733 412	517 870	12 152
Dec 08	R4 713 993	R615 621	R660 042	8 683 760	550 550	22 327
Jan 09	R4 050 331	R586 984	R567 136	7 428 094	536 100	31 986
Feb 09	R3 419 458	R426 955	R478 808	6 248 169	517 300	17 144
Mar 09	R3 830 519	R529 562	R536 370	6 996 763	527 610	18 022
Apr 09	R4 161 398	R531 712	R582 692	7 624 815	538 610	17 640
May 09	R4 445 329	R538 805	R622 444	8 127 142	531 900	20 133
Jun 09	R6 134 951	R394 120	R858 993	11177 427	537 700	24 768
TOTAL	R49 632 856	R5 580 197	R6 949 762	90 807 569	6 298 970	232 283

6.5.5.4 Tenders

The Sub-Directorate invited two tenders during the 2008/2009 financial year.

The tender for an electricity vending and revenue management system was awarded to Actaris/Itron, while Abathathu Valuators received the property valuation tender.

6.5.5.5 Policies

The following policies were updated and approved by Council during the 2008/2009 financial year:

- Tariff Policy.
- Rates Policy.
- Customer Care, Indigent, Credit Control and Debt Collection Policy. A Tampering Policy is also included in this document.
- Cash Management Policy, which is included in the Cash and Investment Policy.

6.5.6 Expenditure

6.5.6.1 Introduction

The main responsibilities of this Sub-Directorate are the administration of salaries and wages, together with creditor payments and stores, expenditure control and related budgetary functions. It is managed by the Head: Expenditure and employs 16 people. A position for an administration clerk is vacant.

6.5.6.2 Payments and Stores

All payments were done on due dates and all creditors were paid within 30 days during the year under review. It is therefore a pleasure to report that there were no audit queries in this regard.

For the 2006/2007 financial year the expenditure on creditors amounted to R351 937 281. In the 2007/08 financial year it increased to R432 312 800 and in the 2008/2009 financial it amounted to R429 655 619. The creditors office processes approximately 1 500 payments per month.

During the same years as mentioned above, the value of the stores at the end of the financial year amounted to R2 978 850 (2006/2007), R5 298 679 (2007/2008) and R4 888 742 (2008/2009) respectively.

6.5.6.3 Salaries

Total salaries administered by the Sub-Directorate amounted to R116 887 486 for the 2008/2009 financial year. This compares with R83 534 884 in 2006/2007 and R93 564 782 in 2007/2008. Approximately 850 salaries are paid out every month.

6.5.6.4 Stores

The total value of stocks administered by the stores unit amounted to R4 888 742 as at 30 June 2009.

The stores section provides a support service to all departments as stocks of all materials are kept in the stores. The majority of the stocks held in the stores are required by the Civil Engineering and Electrotechnical Services Directorates for the proper maintenance of the Municipality's assets and service infrastructure.

It is envisaged that the stores section will be transferred to the Supply Chain Management unit in the new financial year.

6.5.6.5 Key Performance Indicators

The following are some of the key issues and performance indicators of the various sections in this Sub-Directorate:

Stock Taking

Stock taking takes place monthly and either no or insignificant discrepancies were encountered during the year. The annual stock take on 30 June 2009 was done by external auditors in the presence of an official of the Auditor-General.

No discrepancies were found and the auditors commented favourably on the control and neatness of the stores.

Creditors

Although the Municipality has approximately 1 500 creditors, all payments were done within the 30-day payment period. This means that no one was paid late, which can be attributed to the staff's loyalty and dedication to their work.

Salaries

The Municipality has approximately 850 salaried personnel and all payments must be effected before the 25th of each month. This workload is handled by only five staff members and the success that they have achieved in this regard also confirms their dedication to their work.

Third-party Payments in respect of Salaries

As stated above, all third-party payments are always made on time. The third-party payments include the following:

- Medical Aid.
- Pension Fund.
- Group Insurance.
- PAYE.
- UIF.
- Home loans.

Correspondence

This section also handled approximately 954 correspondence items, which had to be actioned on a daily basis. The average number of days to complete actions on these items is 6,78 days over a 12-month period.

Vote Virements

Vote virements are done on a continuous basis by the Directorates and are also processed daily to reflect correct balances at all times. All these virements were processed timeously by the creditors section.

Bank

Bank statements are reconciled and balanced on a daily basis with the cash book.

6.5.6.6 Conclusion

The personnel in this Sub-Directorate have excelled in the fulfilment of their duties during the past year. They are truly responsible and dedicated and discharge their duties in a most reliable manner.

6.5.7 Supply Chain Management

6.5.7.1 Introduction

All high capacity municipalities were required to implement the Supply Chain Management Regulations to the Municipal Finance Management Act, No 56 of 2003, on 1 October 2005 and to have a new Supply Chain Management (SCM) Policy in terms of the Regulations in place by the same date.

The Municipality met the requirements with regard to the adoption of a policy and also implemented the prescribed bid invitation and adjudication procedures to ensure that all legal requirements are met.

SCM officials were placed on a steep learning curve and almost four years later the SCM unit has not only grown in size, but also in experience.

6.5.7.2 SCM Unit

The full-time personnel of the SCM unit grew during this past year as two clerks joined the unit in December 2008. On 30 June 2009 the unit consisted of the head, an administrative officer and three SCM clerks.

The previous Head: SCM resigned and left the Municipality in December 2008 and a new Head: SCM was appointed with effect from 1 June 2009.

Another position for an administrative officer became vacant on 1 June 2009 when the incumbent was promoted to Head: SCM. It was advertised in June 2009 and will be filled early in the new financial year.

The aim is to consolidate and centralise the total SCM function in one unit in the 2009/2010 financial year. This includes the incorporation of the stores function into the unit and also implementing the Collaborator SCM process.

It should, however, be noted that the incorporation of the stores function might be delayed until an Administrative Officer: Logistics and Asset Disposal is appointed. This position was advertised for the fourth time in June 2009 and an appointment will be made as soon as possible in the new year.

The head, both administrative officers and one clerk attended various courses and workshops relating to the Construction Industry Development Board (CIDB) during the past year.

The previous head also attended a project management course at Stellenbosch University and the Administrative Officer: Demand Management attended a project management workshop presented by the Development Bank of South Africa..

There is, however, still a need for training for SCM officials. All officials in the unit still need to complete the SCM competency training that was arranged by the Provincial Treasury in the past through South African Management Development Institute. Training remains a high priority for SCM officials.

6.5.7.3 SCM Policy

The SCM policy, which is based on the model policy prescribed by the National Treasury, was reviewed in the 2008/2009 financial year. Certain cosmetic changes were made and recommendations by the Municipality's internal auditors were also incorporated to improve the performance and contract management aspects of the policy.

It is a requirement that policy reviews have to be submitted to the Provincial Treasury, and this unfortunately resulted in a delay of several months in finalising the review in the previous year. The Provincial Treasury accepted blame for the delay in writing. The revised policy was submitted to Council in this financial year.

It was also envisaged that the policy would have to be aligned with the requirements of an amended Preferential Procurement Policy Framework Act (PPPFA). The purpose of amending the PPPFA was to align it with the BBBEE Codes of Good Practice.

Although the amended PPPFA was supposed to be tabled in Parliament in September 2007, this still has not happened. Municipalities were accordingly instructed by the National Treasury to continue applying the current PPPFA prescripts until further notice.

These require the use of the 80/20 (transactions less than R500 000 in value) or 90/10 (transactions above R500 000) points systems in the adjudication of bids exceeding R30 000 in value.

Council approved the revised Supply Chain Management Policy on 28 May 2009 through Resolution E28-05/2009.

6.5.7.4 Bid Committees

The bid committee system generally functions well. Although there is always room for improvement, the Bid Specification and Bid Evaluation Committees have improved a lot in fulfilling their roles in the past year. The fact that a SCM official usually forms part of these Committees made a vast difference in their performance.

The Bid Adjudication Committee is the only standing bid committee, and the following persons served on the committee in the year to the end of June 2009:

- Mr H F Botha (Chairperson) : Chief Financial Officer.
- Mr C B Puren (Deputy Chairperson) : Director: Community Services.
- Mr D Naidoo : Director: Electrical Services.
- Mr E Jantjies : Director: Corporate Services.
- Mr P Viviers : Director: Civil Services.
- Mr C Möller : Director: Town Planning.
- Ms M Jacobs : Head: Expenditure.
- Mr H C Hill : Strategic Support Executive.
- Ms E Smit : Head: Supply Chain Management.

6.5.7.5 Accredited Supplier Database

The Accredited Supplier Database that is maintained in terms of Section 14 of the SCM policy grew to 1 559 suppliers at the end of the 2008/2009 financial year. This compares to 1 090 at the end of the 2008 financial year and 722 at the end of the 2007 financial year.

Many of the prospective suppliers are registered for menial work such as bush clearing, cleaning, etcetera, and a separate database was created for these suppliers. They are, however, included in the abovementioned figures.

The SCM unit continued to address the problem of expired tax clearance certificates by using a monthly reminder system. The suppliers generally respond well to this, ensuring that their registration on the database remains valid.

In this regard the suspension and termination process has been streamlined during this year. In terms of the process a letter is sent to suppliers reminding them that their tax clearance certificates are due to expire within the next 30 days.

If they do not respond within 21 days after the certificate has expired, another letter is sent informing them that their certificate has expired and that they will be suspended if they do not respond within 21 days. If they still do not respond, a letter informing them that they have been suspended is sent.

To lift their suspension they have to contact the SCM office and update their registration as well as supply all missing documentation. If they still do not respond, a letter is sent to inform them that their registration on the Database has been terminated. They then have to reregister if they want to be listed on the Municipality's Accredited Supplier Database.

6.5.7.6 Construction Industry Development Board

Although there was initially a shortage of contractors in the Mossel Bay area who are registered with the CIDB and have the required grading, this situation has changed as contractors became aware of the CIDB requirements.

There is now a large enough pool of graded contractors in the Southern Cape to draw from.

The National Treasury has notified municipalities that the adherence to the requirements of the CIDB will in future be monitored strictly by the Auditor-General, and that failure to comply will result in qualified audits.

The RED (Real Development Enterprise) Door business advice centre, an initiative of the Department of Economic Development and Tourism, assists small businesses with, among other things, their CIDB registration.

6.5.7.7 Broad-Based Black Economic Empowerment

As mentioned above, the alignment of the Preferential Procurement Policy Framework Act with the Broad-Based Black Economic Empowerment Codes of Good Practice has still not happened yet.

Although due on 1 January 2008, the registration mechanism for BBBEE verification agencies has still not been put in place by the Department of Trade and Industry. Government has not yet indicated when the amended PPPFA is expected to be tabled or the registration of verification agencies will commence.

As reported in previous years the new legislation is expected to have a major impact on assessing BEE compliance in the evaluation of bids. The certification system is also expected to reduce abuses such as fronting and make the Municipality's work to establish the BEE status of suppliers much easier.

6.5.7.8 Tenders

A total of 76 tenders, 43 more than the previous year, were awarded during the 2008/2009 financial year.

One of the tenders, namely Tender 18/2008 for street refuse containers, is an income-generating tender while the rest were expenditure tenders.

Tender 1/2009 for the appointment of a professional team for the expansion of the municipal offices was invited in January 2009, but was cancelled.

An objection was also received against the award of the tender for the proposed middle income housing project. It is a complicated matter and is in the hands of the Municipality's legal adviser and lawyers.

Based on the number of reported cases country wide, it is clear that more and more bidders are beginning to exercise their right to object to awards in terms of Section 46 of the SCM Regulations and Section 51 of the SCM Policy.

This will add a further onus on SCM practitioners as well as other personnel involved in the SCM processes to ensure that product or service specifications receive detailed attention and that special care is taken during the evaluation of bids.

6.5.7.9 Tender Awards

The following tender awards, with values, were made in the financial year to 30 June 2009:

No	Tender	BIDDER	AMOUNT (R)
1	Tender 10/2008: Herbertsdale Bulk Water Supply: Drilling and testing of boreholes.	Steyns Drilling Trust	R328 776,23, including VAT.
2	Tender 29/2008: The supply and delivery of chemicals for use in the purification of water.	Various	Various. Year contract.
3	Tender 30/2008: Removal of night soil.	CCM Transport	R7,80 per bucket, including VAT for the period up to 30 June 2009 and for R8,42, including VAT (8% escalation) for the period 1 July 2009 to 30 June 2010.
4	Tender 19/2008: Annual tender for delivery and hire of machines and trucks.	Various	Various. Year contract

No	Tender	BIDDER	AMOUNT (R)
5	Tender 20/2008: Annual tender for the supply and delivery of bricks, sand, gravel and stone.	Various	Various. Year contract
6	Tender 21/2008: Annual tender for the supply and delivery of precast kerbs.	Various	Various. Year contract
7	Tender 23/2008: Annual tender for the resealing of roads.	Various	Various. Year contract
8	Tender 24/2008: Annual tender for the repair of potholes.	Raakvat Kontrakteurs	Various. Year contract
9	Tender 22/2008: Annual tender for the supply and delivery of bitumen, quick-setting slurry, primers and asphalt bags for road-sealing purposes.	Various	Various. Year contract
10	Tender 16/2008: Supply of temporary personnel.	Swift Human Resources	Various. Year contract.
11	Tender 35/2008: Supply and installation of a digital high volume copying and printing machine.	Nashua George	R286 710, including VAT. Service contract of 2,28 cents per copy with 10% annual escalation.
12	Tender 37/2008: Supply and delivery of three half-ton light delivery vehicles (LDV's).	CP Nel Mossel Bay	R121 127,65 / vehicle (R363 382,95 for three vehicles), including VAT.
13	Tender 26/2008: Rehabilitation of Gleniqua drive, Glentana.	Marracon (Pty) Ltd	R1 327 032,96, including VAT, subject to the work to be done be negotiated by the Director: Civil Services within the budgeted amount of R1 000 00.0
14	Tender 40/2008: Supply of 1-ton special purpose 4 x 4 rescue vehicle.	CP Nel Mossel Bay	R590 264,11, including VAT.
15	Tender 5/2007: Annual tender for the provision of electrical labour.	Various	Various. Annual tender.

16	Tender 39/2008: Supply and delivery of three light motor vehicles (hatch back).	Southern Sea Volkswagen (Pty) Ltd	R91 850,30 including VAT per vehicle (R275 550,90, including VAT, for three).
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No	Tender	BIDDER	AMOUNT (R)
17	Tender 31/2008: Reconstruction of Voorburg Road, Great Brak River.	Active Group Management Services (Pty) Ltd	R650 362,96, including VAT, subject to the work to be done to be negotiated by the Director: Civil Services within the budgeted amount of R398 650,09.
18	Tender 33/2008: Reconstruction of Kunana Street, KwaNonqaba.	Active Group Management Services (Pty) Ltd	R689 609,65, including VAT, subject to the work to be done be negotiated by the Director: Civil Services within the budgeted amount of R548 650,09.
19	Tender 41/2008: Supply and delivery of one 4-ton truck (flat).	CP Nel Mossel Bay	R258 185,26, including VAT.
20	Tender 43/2008: Supply and delivery of three one ton light delivery vehicles (LDV's).	CP Nel Mossel Bay	R396 240,81, including VAT.
21	Tender 42/2008: Supply and delivery of one tipper truck.	Ottery Toyota	R498 500,00, including VAT.
22	Tender 46/2008: Construction of gabion walls behind Vlinderland Crèche, Great Brak River.	Phambili Civils	R69 268,68, including VAT.
23	Tender 36/2008: Tender for the appointment of consulting engineers for various projects.	Various	Various.
24	Tender 45/2008: Supply and delivery of 6-7 ton flatbed freighter with tail hydraulic crane facility.	Ann Mitt Trading	R1 069 466,80, including VAT.
25	Tender 51/2007: Construction of top structures for Wolwedans housing project	Mellon Housing Initiative	To be negotiated with Mellon Housing Initiative and Western Cape Provincial Government
26	Tender 56/2007: Powertown emergency housing scheme: Little Brak River.	Vigro Construction	R1 448 678,60 including VAT.
27	Re-issue tender 18/2008: Street refuse containers.	Combo Sign (Pty) Ltd	R1 151 867, including VAT which will be payable to the Mossel Bay Municipality.
28	Tender 32/2008: Reconstruction of entrance road, Boggoms Bay.	Vigro Construction	R381 648,40, including VAT. That the work to be done be extended by the Director: Civil Services to the budgeted

No	Tender	BIDDER	AMOUNT (R)
			amount of R448 650,09, including VAT.
29	Tender 14/2008: Tender for management of short-term insurance portfolio.	Alexander Forbes Risk Services	Awarded for periods of one year each up to 30 June 2011, subject to annual reviews and approvals by the Municipal Manager of the annual extension of the award within the above time frame.
30	Tender 48/2008: Tender for the appointment of electrical consulting engineers.	Makukhane Consulting Engineers	Various.
31	Tender 49/2008: Repairs and renovations to Mossel Bay Fire Station buildings.	Siyakhuphula Builders CC	R286 000, including VAT.
32	Tender 47/2008: Herbertsdale drought relief: Bulk water supply.	Mabungwe / Corona B Joint Venture	R2 527 215,76, including VAT.
33	Tender 51/2008: Construction of new work shop, office and change rooms at Great Brak River electrical complex.	Siyakhuphula Builders CC	R715 000, including VAT.
34	Tender 38/2008: Pre-payment electricity vending and revenue management system and related services - sections 1 and 2.	Actaris	Various. For a period of 5 years.
35	Tender 38/2008: Prepayment electricity vending and revenue management system and related services- section 3.	Prosoms CC	Various. For a period of 5 years.
36	Re-issue tender 8/2008: Sewage suction tank services.	Pine Creek Privaat Vakansie Oord Bk	R1 085 243,50, including VAT, for the period up to 30 June 2010.
37	Tender 50/2008: Supply, delivery and installation of one flame atomic absorption spectrometer.	Analytical Science Technology	R296 400, including VAT.
38	Tender for middle income housing.	Stone Trade Trust Construction	Various. To be determined.

No	Tender	BIDDER	AMOUNT (R)
39	Tender 53/2008: Supply and delivery of two 2WD tractors.	Andrag Agrico	R366 441,60, including VAT.
40	Tender 55/2007: Construction of 270 house platforms for Wolwedans housing project.	Sebenzi Civils CC	To be determined. Approximately R1 000 000.
41	Re –issue tender 9/2008: The provision and installation of screenings to VPS pump station, Mossel Bay.	Huber Technology (Pty) Ltd	R413 820, including VAT.
42	Tender 57/2008: Execution of supplementary valuations for the financial years 2008/2009, 2009/2010 and 2010/2011.	Abathathu Valuers CC	Various. 3-year contract
43	Tender 55/2008: Upgrading of storm water at Hartenbos station and surrounding areas.	Marracon (Pty) Ltd	To be determined as per available funds
44	Tender 52/2008: Upgrading of main water lines to Daly's reservoir and from Fraaiuitsig reservoir.	A2 Siviel	R3 914 794,88, including VAT.
45	Re-issue tender 54/2008: Repairs and renovations to pavilion at D'Almeida sports grounds, Mossel Bay.	N1 Waterproofers and Decorators CC	R265 000, including VAT.
46	Tender 43/2006: Repairs of storm water damage, Glentana.	ACV Civils	R2 320 645,93, excluding VAT and professional fees.
47	Tender 6/2009: Supply and delivery of a sewer pump.	Eigenbau (Pty) Ltd	R444 287,92, including VAT.
48	Tender 3/2009: Supply and delivery of uPVC pipes.	Active Group Management Services (Pty) Ltd	R310 200, including VAT.
49	Tender 4/2009: Repair to storm water infrastructure Gleniqua drive, Glentana.	Dada Civils CC	R4 602 019,60, including VAT.
50	Tender 2/2009: Fleet Management Services.	Fleet Africa (Pty) Ltd	Various.3-year contract.
51	Tender 14/2009: Supply, installation and commissioning of air-conditioning units at the Mossel	Karoo Lugreëling & Verkoeling CC	R198 930, including VAT.

No	Tender	BIDDER	AMOUNT (R)
	Bay town hall.		
52	Tender 10/2009: Supervisor development programme (NQF4).	Africa Competency Development	R273 600 for 40 learners, including VAT.
53	Tender 7/2009: Rehabilitation of Montagu Street, Mossel Bay.	Dada Civils / Mabungwe Civils JV	R2 588 419,02, including VAT.
54	Tender 13/2009: Resealing of the first kilometre of Dana Bay access road.	Tor Construction CC	R963 832,21, including VAT.
55	Tender 12/2009: Mossdustria to Pinnacle Point waste water treatment works outfall sewer	Entsha Henra CC	R7 132 648,17, including VAT.
56	Tender 52/2008: Upgrading of main water lines to Daly's reservoir and from Fraaiuitsig reservoir - extension	A2 Siviel	Extended with R450 000, including VAT.
57	RFP 1/2009: Appointment of a consultant to compile an integrated and sustainable human settlement strategy and implementation plan (housing plan).	MCA Consortium	R496 000, including VAT.
58	Tender 16/2009: Civil services to 43 erven in Arcotis Crescent.	Constructive Civil Engineering (Pty) Ltd	R2 338 083,00, including VAT.
59	Tender 18/2009: Taking of aerial photographs and projecting it into GIS system.	GIS Global Image	R441 294, including VAT.
60	Tender 17/2009: Supply and delivery of one 3-ton truck (flat).	Short's Garage Trust	R272 126,66, including VAT.
61	Tender 11/2009: Rendering of security services.	Comwezi Security Services (Pty) Ltd	Various. Three-year contract.
62	Tender 9/2009: Collection and payment methods of traffic fines.	NuPayment Solutions (Pty) Ltd	Three-year contract.
63	Tender 28/2009: Supply and delivery of black/blue refuse bags.	Empower Plastics (Pty)	R357,50/1 000, including VAT for black bags.

No	Tender	BIDDER	AMOUNT (R)
		Ltd	R745 1 000, including VAT for blue bags.
64	Tender 34/2008: General rehabilitation of the Ernest Robertson Dam.	Entsha Henra CC/Hennops Betonprodukte JV	R580 700,31, including VAT.
65	Tender 26/2009: Annual tender for electrical labour.	Various	Various. Three-year period from 1 July 2009 to 30 June 2012
66	Tender 30/2009: Tender for the supply and installation of high mast lighting at the Van Riebeeck stadium, Mossel Bay.	RACEC Electrification (Pty) Ltd	R876 415,58, including VAT.
67	Tender 8/2009: Traffic management system.	NuPayment Solutions (Pty) Ltd	Various. Three year period from 1 July 2009 to 30 June 2012.
68	Tender 19/2009: Annual tender for delivery and hire of machines and trucks.	Various	Various
69	Tender 21/2009: Annual tender for the supply and delivery of precast kerbs.	Various	Various
70	Tender 20/2009: Annual tender for the supply and delivery of bricks, sand, gravel and stone.	Various	Various
71	Tender 22/2009: Annual tender for the supply and delivery of bitumen, quick-setting slurry, primers and asphalt bags for road-sealing purposes.	Various	Various.
72	Tender 24/2009: Annual tender for the repair of potholes.	Raakvat Kontrakteurs Vigro Construction	Various.
73	Tender 41/2009: Supply and delivery of uPVC pipes.	Andrag Agrico (Pty) Ltd	R755 670, including VAT.
74	Tender 40/2009: The supply and delivery of chemicals for use in the purification of water.	Various	Various.
75	Tender 23/2009: Annual tender for the resealing of roads.	Various	Various.

No	Tender	BIDDER	AMOUNT (R)
76	Tender 25/2009: Tender for electrical material.	Various	Various

6.5.7.10 Conclusion

Good progress was made with SCM implementation in the year under review, although the objectives of consolidating the SCM unit, centralising procurement activities and implementing the Collaborator system could not be achieved because of the difficulties in finding a suitable candidate for the position of Administrative Officer: Logistics and Assets Disposal.

Good progress was, however, made after the arrival of the new appointees with the upgrading of the unit's administrative systems. The newly appointed staff also adapted well and good progress was made with their in-house training.

The centralisation of all the Municipality's procurement activities within the SCM Unit is still a major objective, which has now become attainable with effect from the 2009/2010 financial year.

6.6 Town Planning and Urban Control

DIRECTOR: C MÖLLER

6.6.1 Introduction

The Directorate of Town Planning and Urban Control was established as a fully fledged Directorate in December 2008 to enhance service delivery in this critical field after the Town Planning and Urban Control function alternated as a Sub-Directorate between the Civil Engineering Services and Community Services Directorates previously.

The Director: Town Planning and Building Control was appointed on 1 December 2008.

The Directorate is responsible for planning and development (strategic planning and development control), as well as building control and municipal properties (building plan examining, building inspectorate, municipal buildings and property and outdoor advertising).

In addition to doing its own spatial development planning and exercising control over Council property, development, building activities and Outdoor Advertising, an information service is provided to property owners and developers.

6.6.2 Staff Complement

The staff complement of the Directorate is as follows:

- Director
- 2 x Heads of Sub-Directorates: Planning and Building Control
- 2 x Town Planning officials
- 2 x Section Heads: Plan Examining and Building Inspectorate
- 6 x Building Inspectors
- 2 x Plan Examiners
- 2 x Building Technicians
- 6 x Administrative staff

6.6.3 Overview

This Directorate manages the administration of the Technical Services Committee of Council. The daily administration of this office includes applications for land use changes, departures, rezoning, removal of restrictions, subdivisions, consent uses and building line relaxations.

It is also responsible for the administration of current land uses, approval of building plans, building inspections, management of municipal property and buildings, as well as outdoor advertising. It delivers a wide variety of services to the general public and developers.

This office is also responsible for the annual update, finalisation and implementation of the Spatial Development Framework (SDF) as part of the Integrated Development Plan (IDP).

In the 2008/2009 financial year a total of 395 land use applications were received by this office. In this regard, a total of 220 Council decisions have been formulated in order for Council to make decisions required by law.

Due to the worldwide meltdown in economic activity, the extent and size of larger developments have declined, but enquiries from the public on the selling and availability of land for development and applications for other land use changes, such as the relaxation of building lines, have actually increased.

Officials from the Directorate also attended to tender documents and the relevant documentation required for public participation processes in order to alienate various identified municipal properties.

The Louis Fourie Road Corridor Spatial Plan Study was completed and will soon be formally adopted by Council as either a Section 10(4) Structure Plan in terms of the Ordinance on Land Use Planning or Section 32 of the Municipal Systems Act.

Outdoor advertising by-laws were drafted, as well as a policy on the placement of containers used for commercial and other activities in the municipal area.

6.6.4 Statistical Information

6.6.4.1 Land Use Changes

The table below reflects income derived from applications for land use changes:

2005/2006	2006/2007	2007/2008	2008/2009
R901 745	R703 866	R579 990	R427 465

6.6.4.2 Building Control

The number of building plans approved over the past four financial years is given below:

	2005/2006	2006/2007	2007/2008	2008/2009
Number of building plans approved	1 149	1 972	1831	957
VALUE	R337 633 793	R638 000 000	R854 205 000	R515 660 000

6.6.4.3 Building Plans

A breakdown of approved building plans is given below:

	2006/2007		2007/2008		2008/2009	
TYPE	PLANS	VALUE (R million)	PLANS	VALUE (R million)	PLANS	VALUE (R million)
New residential buildings	718	306	519	450	234	276
Commercial buildings	95	171	64	181	37	96
Alterations and additions	1 159	161	1 248	224	685	127
TOTAL	1 972	638	1 831	855	956	499

6.6.4.4 Buildings Completed

The table below shows the number and value of buildings that were completed over the past three financial years.

	2006/2007		2007/2008		2008/2009	
TYPE	Completed	VALUE (R million)	Completed	VALUE (R million)	Completed	VALUE (R million)
New residential buildings	872	477	332	336	478	539
Commercial buildings	54	8	56	214	38	151
Alterations and additions	1 098	201	735	158	687	179
TOTAL	2 024	686	1 123	718	1 203	869